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THE CONTROL OF PUBLIC EXPENDITURE (1)

BY URSULA K. HICKS

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Oxford

It goes without saying that it is essential for the citizens of any type of regime to see that the expenditure of public authorities is properly regulated. Indeed one might go further and say that it is essential for every type of government for its own sake to see that its expenditure is well under control. In a democracy this is obvious, but even an absolute government which does not take this elementary precaution will find sooner or later that it is running through the national resources; it must then take drastic steps to put its house in order if it is to retain its power.

The control of expenditure may however be looked at in at least three different ways, not all of which are appropriate to every type of economy, depending first on the size of the public sector (and hence its ability to exercise a comprehensive control), and secondly on the presence or absence of a desire to see the government carry out a positive policy.

Thus we may distinguish three degrees of control: first and most fundamental in any type of regime is what we may call *accountability* control, calling for machinery to ensure on the one hand that the money set aside for a particular purpose is not applied to some other purpose at the whim of administrators, and on the other that there is no defalcation by those responsible for the outlay. Secondly we can distinguish what we may call *efficiency* control, the aim of which is to ensure that funds are applied in the most effective way to the implementation of policies already agreed upon. The third degree of control we may designate *economic* control; its aim is to see that the total spending in the economy on both present and future needs — on current and capital account — does not exceed the resources which can be made available for these two purposes respectively.

Not every national government has formally accepted responsibility for maintaining stability in effective demand and a high level of employment. But in every advanced country, (and in a number which are not at all advanced also) governments would probably now recognise in a greater or less degree that they have an informal responsibility for maintaining stability and a high level of

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1) This Paper was prepared for a conference of the Forschungstelle für Staats- und Kommunalwirtschaft at Wiesbaden, January 1953.

employment. For example this responsibility was formally accepted by the British government in the White Paper on Full Employment of the National Government of 1944, and by the federal government in the United States by the Full Employment Act of 1946. Since the end of the war the British government has in practice gone further than this, and has taken upon itself to secure an optimum use of resources for an implementation of a policy of development as well as of stability.

While accountability and efficiency control are as appropriate and necessary at the state and local level as at the national, economic policy is essentially the business of national governments, who alone can exercise jurisdiction over, and hold a watching brief for, the whole economy; but it is essential that state and local governments should fully recognise that they have responsibilities in this respect; otherwise they can entirely nullify the efforts of the national government. A striking example of this was the way in which the policy of the states frustrated the efforts of the American federal government in the depression of the early '30's to increase effective demand by additional outlay, by themselves reducing expenditure and thus retarding the recovery of the American economy.

It should be noted that both accountability and efficiency control have their origins essentially at the micro-economic level; they set out from a detailed examination of particular activities and types of expenditure. These investigations should of couse be generalized over the whole economy, but it is normally possible to do so only by sample; it is a test of the expertise of the control machinery that its sample investigations should indirectly constitute an effective coverage of the whole. On the other hand economic control starts at the macro-economic level; its primary concern is with the magnitudes of public and private consumption, savings and intended investment, magnitudes which detemine the size of the national income in real terms; but economic control will not be very effective unless it is prepared to strike its roots down into the micro-economic level, and to investigate such things as the demands on resources of particular types of expenditure (or the effects of particular taxes, which are equally relevant to its work), or again the extent to which current borrowings are being translated immediately into capital formation or are merely increasing cash balances.

The earliest type of expenditure control to attract attention was of course accountability control; this as I have already said is fundamental in any type of regime. Accountability control however acquires a new importance if substantial weight is put on economic control (ie. if the government undertakes heavy responsibilities for national policy), since it is impossible to achieve the desired effect with the "pounds" unless the "pence" are already under control. Laxity in treatment of appropriations for instance may both cause public expenditure to be economically inappropriate in amount and to have unwanted or unitended effects by taking unitended forms.

Economic control is obviously much easier to achieve in a unitary country than in a federation. Nevertheless the difficulties of ensuring it in a federation should not be exaggerated, so long as there is understanding and cooperation between the centre and the parts. Further, interstate federal institutions can be developed for the purpose — the Australian Loan Council (allocating an agreed total to agreed projects in the different states) and the Grants Commission (determing the allocation of grants from the central treasury to the states) — are now classical exemples of such machinery. In general also economic control is much facilitated if there is normally a system of grants in operation from the centre to the states ²); this has been especially well illustrated by Canadian experience, which also shows the importance of choosing an appropriate type of grant. It is also very desirable, perhaps essential, that the federal government should exercise a major control over (althrough not necessarily a unique jurisdiction in) personal income and profits taxes.

Both efficiency and economic control are also much facilitated if the basic political institutions are congenial for it. In this connection I would place in the forefront two institutions evolved in Britain and extended from there to all British countries: first the institution of cabinet government in the sense that the cabinet can in the last resort impose its will on the legislature, and be held responsible not only for bringing in measures that are unpopular, but also for the results over a long period.

The cabinet system as it is understood in some other countries is of course different. In the U.S.A. for instance it is very difficult for a disinflationary budget to pass through Congress intact, so that it is not surprising to find that the U.S. national debt has doubled since the end of the war.

Secondly in this connection I would place the British Parliamentary rule which makes it impossible for any member outside the government to propose expenditure which would require the raising of additional revenue. This is a very important safeguard since the government itself, having already matched up its expenditure plan with the taxes which it considers appropriate, is unlikely to be cajoled into inserting last minute additions to the estimates.

In Britain the atmosphere should be exceptionally favourable for expenditure control (and in many ways I think it is so). Not only

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2) cf D. N. Chester: Central & Local Government, Financial and Administrative Relations.

are we a unitary country, but over the last 25 years there has been an increasing degree of centralisation in the administration. The local authorities now depend heavily on the central government for grants, extended in the interests of a deliberate policy of equalising standards of service over the whole country. Since 1945 important trading services — electricity, gas, trams and buses — have been taken taken away from the local authorities and integrated into vast national industries. These changes are far from being unmixed blessings; we are in considerable danger of losing a valuable political element of responsible democracy through the partial loss of financial autonomy of the local authorities; but in some ways they make the process of economic control over expenditure considerably easier.

In Britain also we were lucky in having the vital machinery for accountability control established at a very early date — in the third quarter of the nineteenth century — by that incomparable financial administrator Gladstone. I am sure that it is due to this long tradition of strict regularity that we can count with absolute reliance on orderliness and integrity in all grades of the civil service. Without this tradition we could not have survived the long years of control and rationing as we did, practically without the appearance of black markets. It is not sufficient however to establish control machinery and expect it to run indefinitely without adaptation; it requires continual adjustment to take account of new aims and activities in the public sector. In particular the enormous expansion in the importance of public authorities in the economy has created many new problems. They now absorb 42 % of the national income and are responsible for about 51 % of gross capital formation, whereas in the inter war period the public sector did not exceed 25 % of the national income. 3) Some, but by no means all of the new problems seem to be on the way to solution.

Before turning to examine the machinery of expenditure control there is one preliminary point which calls for emphasis. It has often, and in a certain sense truly, been said that "expenditure depends on policy". In Britain, perhaps more than in most countries, the large and significant changes in the level of public expenditure can all be related to specific policy decisions. Against policy decisions normal control machinery is powerless.

Our traditional defence against the adoption of impracticable or very expensive policy decisions is, apart from the debates on bills introducing new services, the time allotted for the discussion of the Estimates of Expenditure of "monies for which Parliament is

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3) cf National Income & Expenditure, 1946-1951.

responsible", which will be incorporated in the Budget and the Appropriation Act. The Estimates (on a very voluminous and detailed scale) are prepared by the Departments in conjunction with the Treasury in the third quarter of the financial year. In the last quarter they are presented to Parliament and debated in Committee of the Whole House (known as the Committee of Supply), on 26 "Supply Days" which must be fitted in before the end of the fourth month of the financial year to which they relate. Estimates not debated before that time are automatically passed.

There is thus nothing in the British system of Supply control parallel to the Public Hearings of the American House of Representatives and Senate. The American system however was established for accountability rather than for policy control, in respect of which a Select Committee is obviously competent to do no more than advise.

A number of policy decisions have been made in Britain since the end of the war which have resulted in what the Americans call "open ended" expenditure. That is to say a decision of principle is taken that a certain line of policy will be followed not withstanding the fact that if certain (not at all improbable) events take place the government will be involved in additional expenditure which it can neither control nor refuse, without reversing its decision. Typical of this was the new Equalisation Grant awarded to local authorities, with resources below the average. The amount of grant depends for each local autherity on its total expenditure multiplied by the extent to which its resources fall short of the average; the total amount which the Treasury has to find thus depends on the decisions of the local authorities and is outside the control of the central government and of Parliament.

Quantitatively more important than this was the decision to continue the food subsidies established during the war, long after hostilities had ceased. When the bill for these rose to 4 % of the national income the government took fright and the policy is being gradually abandoned. Most open ended of all was the establishment of the universal free Health Service. In this case also the decision had ultimately to be modified by introducing small charges for certain services; but this was not done until the Health Service also was absorbing 4 % of the national income.

Although normal control machinery, including the system of supply procedure, is practically powerless against open ended expenditure once the decision has been taken, machinery could be devised making it obligatory on the government to draw up and publish reasoned estimates of the cost of new works and services exceeding a certain amount. Something of this kind is already practised in India.

On the other hand the British system of supply procedure is by no means completely useless as a check on policy. In fact Parliament has recently adjusted its procedure to enable it to concentrate on general policy questions — such as wages in particular grades of the public service and of petrol allowances in government Departments. Such debates may both be directly effective in themselves and may point the way for more detailed investigations by the normal control machinery.

These defences of Parliament against imprudent policy decisions are exercised, *ex ante* on the Estimates. The completed and audited accounts are also presented to Parliament, but are not debated *in extenso*. An important question in expenditure control is the point in the process of planning and spending where it can most effectively be exercised. A sharp distinction is often made between *ex ante* control of the Estimates and *ex post* control of the outlay, for instance by means of audit. Now while this distinction is obviously fundamental, the recent tendency in the development of British control machinery has to some extent been in the direction of breaking it down, so as to regard control as a continuous process from the first preparation of the Estimates to the final reflexions on the Report of the Auditor General. Serious proposals have even been made to amalgamate the two Parliamentary Committees (the Estimates Committee and the Public Accounts Committee) who (as we shall see later) are respectively concerned with ex ante and ex post control. This would seem however to be a mistake 4) since ex post examination is in the nature of a tribunal while ex ante or current investigation is necessarily of an advisory nature. For a single committee to attempt both might weaken the responsibility of the officers whose duty it is to carry out the expenditure.

In general we have found however that control restricted to either end of the process of planning and spending is ineffective. Very plausible excuses can be made for faulty Estimates which have not yet been put to the test; while at the other extreme the practice of shutting the stable door after the horse has escaped is notoriously ineffective, and this is what an audit which is merely a postmortem amounts to. Further, if the results of the postmortem are only made known some considerable time after the expenditure has taken place (as commonly occurs), nobody, either at the administrative or the legislative level is likely to pay much attention to it. Hence the desi-

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4) In this (and other) points I am much indebted to the criticims of B. Gottlieb Esq., an Officer of the Ministery of Fuel & Power and Research Fellow of Nuffield College.

rability of having the control of expenditure, like the expenditure itself, a continuous process.

How well or badly a given set up of control machinery works depends to an important extent on the institutional framework within which it has to function. Much of this will be rigidly fixed in the constitution — I refer to such things as cabinet government and the absence or presence of federalism. Some of the relevant institutions depend however only on tradition, and should therefore be amenable to adjustment. Some of these institutional aids to control seem to me to be so important that I would like to set them out briefly.

First I would stress the importance of having a comprehensive annual budget for each governing authority, wheter national, state or local. This should cover all the accounts for which the authority is responsible, and set out clearly at least the results of the previous financial year confronted with their estimates, and a forecast for the following period.

I believe that it is in general desirable that the Budget should be presented as near to the beginning of the financial year as possible. If it is presented too early neither the figures for the year closing nor those for the year opening will be sufficiently firm to form the basis of critical discussion; if it is presented too late obvious difficulties arise in respect of the finance of services until the Estimates are passed. In Britain the Budget is normally presented only about two weeks after the beginning of the financial year and two accounts are shown: those of the year just ended and of the year just opened. There is much to be said however for three year budgeting (as practiced for instance in India and the Netherlands), in which the closed accounts for the year before, the revised estimates for the year just ending and the new estimates for the year about to open are all shown together.

The object of the comprehensive budget is to ensure that the whole of the outlay and intake of each governing body can be seen together; it does not do away with the necessity for sub-budgets covering the separate accounts of other public entities such as corporations, funds or agencies (to use an American term). It is however quite sufficient if the net results of these sub-budgets are summarised in the master budget, so long as the sub-budgets are easily obtainable at the same time.

It is surprising how greatly the practice of different countries varies in this respect. In Britain we have an excellent tradition of comprehensiveness in the national Budget; the only additional central budget is that of the Social Insurance fund — and this for purely historical reasons. The Social Insurance accounts are very simple and are covered in the national accounts prepared by the Central Statistical Office and available at the same time as the Budget. On the other hand we have not yet solved the problem of integrating the budgets or even the accounting systems of the newer activities of the public sector — the trading services of government departments (Ministry of Food and Board of Trade) and the nationalised industries.

In the United States there seem to be innumerable sub-budgets of agencies which make the accounts very confusing, except at a very summary level. In France the situation is still more baffling. Probably the best system of presentation of the Budget is the Swedish, where (as I understand it) a so called "capital budget" neatly brings together the results of the different funds for which the central government is responsible; I am not so sure that the treatment of the public corporations is satisfactory, as their accounts appear to remain completely outside the budget, which would seem to be less than adequate on the side of investment control.

Next I would stress the importance of consolidating the financial legislation for the year into a single pair of Acts; in Britain this is virtually achieved by the Appropriation Act, on the expenditure side, and by the Finance Act emboding the tax proposals. If expenditure and taxes are voted piecemeal in a series of measures (as is the practice for instance in the United States) there is no guarantee that the right balance of expenditure and revenue for economic control will be obtained, or, as is sometimes just as important, that it will be achieved within the right period.

In Britain we have adopted safeguards, which have now become traditional, to ensure this result. First the all-important income tax has to be revoted every year; if this is not done on time the public services would come to a stop, since the Comptroller and Auditor General would not authorise disbursements by the Paymaster General. Secondly, and following from this, the government can impose closures on the Estimates and Revenue debates so that the two Acts will be passed within four months of the beginning of the financial year to which they relate; simple devices secure a sufficiency of funds to conduct the services up to this point but no further. Of course supplementary estimates may be required during the course of the year to take account of changed circumstances. Indeed it may be necessary to allow for these in the interests of economic control; but very much more often supplementary estimates are due to sufficient care hot having been taken in the first instance, and in this case they should of course be frowned upon.

Thirdly I would emphasize the need for a complete and uniform system of accounts for all departments engaged in similar pursuits — administration on the one side trading or manufacturing on the other. This would of course not rule out the use of approppiate but differing accounting methods for differing kinds of services — for instance cash accounting [5]) for administrative departments and accrual accounting for trading departments —; but for purposes of economic control it is necessary to have available also accounts for all public activities with a uniform breakdown, which will be appropriate for national income purposes, hence on an accrual basis. It is only very recently in Britain that the administrative departments have been able to provide this. The nationalised industries do not keep their accounts on an entirely uniform basis, but from this point of view this is of minor importance since they can all be broken down similarly for national income purposes. Greater problems arise in connection with the trading activities of administrative departments, where no satisfactory compromise at the departmental level has yet been achieved between cash and accrual accounting, especially in respect of the treatment of stocks.

Whatever the accounting system which administrative departments use there must also be clear rules in respect of the discretion of the department concerned to transfer funds voted for one purpose to another, or to retain as a cash balance funds not required for the purpose for which they have been voted. In Britain rules concerning the transfer of funds (known as *virement)* are very strict, except in respect of the defence departments, where the extra flexibility obtained is presumably thought to be worth the loss of control implied. In the same spirit unused funds must in principle be handed back to the central finance department at the end of the financial year. In the United States things are evidently much more fee and easy; I know of one case where funds voted for the foreign service were offered to build up the library of a University Economics Department — overseas it is true. When this sort of thing is freely permitted not only is the *type* of expenditure falsified in the account, but it is extremely hard to prevent chronic departmental overestimating for the purpose of having something to play with at the end of the year.

Similarly the accounting system should have clear rules for dealing with what we call "Appropriations in Aid": funds paid into a Department from the public or another department (for instance as fees, fines or for services rendered), and which may conveniently be used to defray the costs of the department concerned. In British Appropriation accounts the extent to which departmental outlay has been covered respectively by voted monies and by appropriations in aid is clearly set out, but this is by no means universal. A similar problem is posed by the profits of trading services; unless these are quoted nett it is often very difficult in the published accounts to find what if any nett contribution to revenue is made by such services. I have found the absence of proper accounting for appropriations in aid and of the nett profits of trading services very severe handicaps in trying to arrive at the nett supply and revenue position in several countries whose accounts are otherwise quite satisfactory.

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[5]) For a discussion of this point see *Hicks. J. R.:* The Problem of Budgetary Reform.

Fourthly I would emphasize the absolute necessity for the complete separation of the spending and auditing functions. This sounds so elementary that I would hesitate to mention it but that one finds so surprisingly often that the position has been misunderstood. Especially at the state and municipal level, in practice the same officers will be found to be responsible both for spending and for examining (and hence adjusting if necessary) the accounts. In respect of the audit system it is especially desirable to have a high degree of centralisation; in respect of central departments this can easily be achieved if intakes and outlays all pass trough a single account (the account of the British so called "Consolidated Fund" at the Bank of England is an example of this).

In Britain all accounts of the central departments are audited by the Department of Exchequer and Audit, the establishment of which in 1866 was one of the most important reforms by which Gladstone laid the foundations of our system of expenditure control. The authority of the Department was assured from the beginning by the important part played in its establishment by the Treasury, the already very important central departmennt of finance, (and, one may say, slightly anachronistically, of planning). This authority was confirmed by the constitution of the Head of the Department Exchequer and Audit as an Officer Responsible to Parliament, and so removable only by a combined vote of both Houses of Parliament. In India it is interesting to find that in spite of the federal constitution, the Union Audit department is responsible also for the audit of state accounts.

It should perhaps be emphasized that the type of audit applied to the accounts of administrative departments is entirely different in kind from a commercial audit, and the Report of the Comptroller & Auditor General is entirely different from the report of a commercial auditor. On the one hand the audit is mainly a check of cash transactions, not an attempt to evaluate the economic position of the Department, which has no meaning. On the other hand the C. & A.G. feels himself free to draw — and frequently does draw — attention to various questions of financial policy in a way that would be considered improper for a commercial auditor. The accounts of the Public Corporations which conduct the nationalised industries are audited by commercial auditors appointed by the Minister of the parent Department, (for instance the Ministry of Fuel & Power for Coal, Electricity and Gas), and the reports of the auditors are laid before Parliament.

Having reviewed these several institutional aids to expenditure control let us turn to discuss the machinery of control itself. I should like to start with the question of economic control, and clear that out of the way first, for the reason that the machinery we are using in Britain is much newer and more experimental than that pertaining to any other aspect. It would be true to say also that there is as yet no general agreement as to what permanent or long term use should be made of it. It can however be said that the statistical basis which has been developed for the purpose, and which is being continually improved as the channels of communication both between departments and between the public sector and private enterprise, are widened and deepened, will be of permanent advantage whatever degree of economic control is ultimately determined upon.

During the war there was in Britain a very tight and effective control of the whole economic life of the nation. At the end of the war the Labour government wished to keep a good deal of this machinery in operation, first because of the inevitability of rationing and priority allocations in the shortage economy of the early postwar years, and secondly for the express purpose of implementing a positive socio-economic policy. It was generally agreed however that it would be improper to continue a number of the more restrictive controls — especially the comprehensive direction of labour — once the emergency was over. The changed situation in this and other respects (especially the progressive nationalisation of the basic fuel and power and transport industries) soon made it evident that considerable modifications in the machinery of control would have to be made. After many experiments in the preparation and formulation of plans a fairly stable technique of statistical measurement for the forecasts of short period development and the evaluation of results has now been worked out.

Broadly speaking plans cover three types of economic activity: (i) exports and imports, (ii) investment, (public and private) and (iii) the activities of the central government, including its duties of economic stabilisation. The process of planning is conceived as consisting of four stages: (i) budgeting (estimation of demands and supplies available in the different sectors and industries of the economy), (ii) programming (planning and forecasting of development within each sector), (iii) steering (implementation of plans or endeavouring to see that development moves in the desired direction) and finally (iv) evaluation of results, a continuing process calling for frequent readjustment of plans and forecasts.

The Central Statistical Office (established at an early stage of the war) is responsible for the preparation of the estimates of National Income and Expenditure, and the Social Accounts which set out (as far as can be estimated), the economic position of the whole economy vis à vis the rest of the world, as well as the money flows between one sector and another, and the distribution of investment. The Economic Section of the Cabinet Offices, established at the same time as the C.S.O. is mainly responsible for the Economic Survey which records progress in the economic sphere and attempts a general forecast of the development of economic events. These two documents (the Estimates of National Income & Expenditure and the Economic Survey) are issued annually in the spring, close to the date of the appearance of the Budget. The C.S.O. is responsible for the centralisation and presentation of the statistics behind planning, altho the actual data are derived directly from the Departments concerned: the Board of Trade the Ministries of Supply, Materials and Fuel and Power, the Ministry of Food the "Social" Ministries of Labour, Health, Housing and the Ministry of Works and Buildings respectively for "real" transactions, and the Treasury for "invisible" and financial transactions, including such direct estimates of intended saving as it is thought worthwhile to attempt. This collected data is then considered by appropriate central committees at the Ministerial level, and integrated as far as possible into a consistent whole.

In respect of investment in the nationalised industries, and in those industries in the private sector which are dominated by one or a few firms, relatively precise forecasts can be made, at least so long as the decisive limitations are on the supply side (of insufficiency of materials) rather than on the side of demand. There remains however a substantial sector of the economy (including the activities of the local authorities other than building houses), where investment forecasts are subject to a considerable margin of error.

In the last resort however it has usually been possible to put a ceiling on total investment by direct means, especially by (i) allocation of building licences, (ii) control over issues on the stock exchange through the Capital Issues Committee or (iii) licences for importing dollar equipment. In this connection each Department is now responsible for balancing its import budget by adjusting its own demands appropriately as the demands of the firms within its sphere become known. The final aim is to adjust the central Budget as a compensating factor for the whole economy.

Two features of the British machinery for economic control should be noted. First, the planning and its statistical foundation, are entirely internal functions of the civil service and the government; there is no semi-outside organisation such as the Netherlands Planbureau or the American Council of Economic Advisors. The British method probably facilitates consistency in the ultimate programme, but has the disadvantage that it is difficult or impossible for outside experts to check, and hence criticise, the government's estimates. Secondly outside the individual programmes of the nationalised industries there is nothing in the nature of a long term plan; British planning is essentially short period. Exports and imports are governed by plans fixed every six months, the central budget is entirely confined to the single financial year. Investment planning indeed takes into account a three year period, but in respect of the most distant of these little more than a list of tentative demands from the different sectors of the economy is considered. There is thus nothing like a general Five Year Plan or even such a comprehensive investment plan as the Monnet Plan in France.

I should finally emphasize that whatever use is made in the future of the machinery that has been developed, the statistical material which it has made available will be of lasting and increasing value to enable the central government to play an effective role in economic stabilisation and compensatory finance.

In turning to consider the well established machinery for securing accountability and efficiency control we are on much firmer ground. I am confident that British traditions in these respects have been a major factor in ensuring that economic control has been even as succesful as it has. We are here dealing (as I emphasized earlier) with controls that start at the micro (individual service) level, but are intended of course to cover the whole range of government activities. The controls as we have developed them from the Gladstonian foundations operate on two levels (a) the administrative level exercised by officers of the central finance departments, primarily the Treasury and the Department of Exchequer and Audit, and (b) the legislative level, through the investigations of Select Committees of the House of Commons who report to Parliament, and whose reports frequently form the basis of special debate and of comment in the Press.

Starting with *accountability* control at the administrative level, logically the first requirement seems to me to be a system of *orderlness in transactions*. It is necessary to achieve a position in which each transaction — contract of service or purchase of goods — ceases to be unique, requiring an eastern bazaar technique of bargaining and a decision at the highest level before it can be concluded. Instead contracts must be able to proceed according to basic decisions given in advance, such for instance as to engage so many x-grade clerks at £ y per year, for a particular service, or to accept the lowest tender containing already specified standards for a particular range of projects.

In the absence of basic rules of this nature there is a danger first of constant upward pressure on the salaries of public employees, and secondly of decisions being greatly delayed by what the Americans call the „up and over and down" technique between the different grade officers in the Departments concerned. To make things work smoothly in this respect it is a great assistance to have a central Department with especial responsibility for the personnel side of public employment, as the Establishment Branch of the British Treasury is; collective bargaining with employees' organisations, and established grades of service are also very helpful. The Establishments Branch of the Treasury is divided into sections, each responsible for the personnel of a Department or group of Departments, including the Defence Ministries. In this, as indeed in many other aspects of control, it is essential to have a set of rules which clearly pin responsibility on to particular shoulders in every case.

Passing now to a closely related aspect of *orderliness in receipts and payments* or accountability in a narrow sense; the aim is to reach a position in which you can be sure that money is paid out only according to decision, that is that there is neither falsification nor distortion on the one hand, and on the other that all officers and contractors get their proper pay regularly, promptly and in sufficient amount to attract and hold the best men. Without this elementary precaution corruption cannot be avoided; on this point it is very easy to be penny foolish and so to lose effective control of the pounds.

I would like to explain briefly two special devices which we have found useful in this respect, one on the disbursement side and one on the accounting side, by means of liaison officers between the administrative departments and the central finance departments.

The liaison officer on the disbursement side is the Accounting Officer. He is in a full sense a member of the Department in which he works, in fact he is normally the Head of the Department, (so that in the British system a Department might be defined as an organisation with a separate Accounting Officer), but he is specially appointed, subject to Treasury approval, to represent his Department om all financial investigations. Thus he has (and knows he has) a *continuing* responsibility for what goes on in his Department.

The purposes of this institution are thus both to pin responsibility firmly in a particular place, and to keep the Treasury continuously in touch with the progress of expenditure as outlay in taking place. This system does away with any need for the clumsy method of "period rationing" of departmental expenditure, which I understand is much used in the United States; it is a method that can never work smoothly because much of departmental outlay necessarily takes place at an uneven rate over the year. The system of making the Accounting Officer personally responsible (unless in the rare case of disagreement with the Minister the latter can temporarily relieve him of responsibility) is now well establised in the Supply Departments, civil and military. Indeed it would not be going too far to say that it is the core of the whole system of control. A parallel system in respect of the Public Corporations has not yet been fully worked out, but a recent decision in the Courts shows that responsibility must be considered to lie wholly on the senior officer concerned.

The liaison officer on the auditing side is necessarily in a different position from his counterpart on the expenditure side. The greater part of the staff of the Department of Exchequer & Audit work continuously in the Departments whose accounts they audit, but they remain firmly members of the Audit Department. This is of course necessary for the principle of the division of outlay and audit. Thus with the Accounting Officers continuously in touch with the Treasury and the Auditing officers continuously in touch with the Departments, in practice both the process of expenditure (and hence in effect the material for the preparation of the Estimates), and the process of audit are in continuous operation, more especially the audit is a running check and not a postmortem. This system also makes entirely unnecessary the time consuming process of sending vouchers to be centrally checked, a system which is rightly condemned by the Hoover Commission or the Reform of the (American) Executive; it may be questioned however whether their proposed solution of decentralised audit offices would be at all as effective and neat as the British system.

Passing now to Accountability Control at the Legislative level, the method in force Britain (and in some other Commonwealth countries) is, as I indicated earlier, through Select Committees of the House of Commons. The Public Accounts Committee was set up in 1861, five years before the Department of Exchequer and Audit, at whose birth it and the Treasury were respectively midwife and doctor. The Committee has 15 members chosen from the political parties in accordance with their representation in the House. From the first the P.A.C. has led a useful, successful and respected life, and this is still true today although (as I shall indicate later) its position has in fact changed considerably in recent years.

The success of the P.A.C. can be attributed to three circumstances in particular: (i) the constant support of the Treasury, (ii) the fact that the Chairman is always a member of the Opposition, normally a financial secretary in the previous Parliament. This is most important for ensuring a thoroughgoing investigation of spending; in Canada where the government party supplies the chairman, the Public Accounts Committee has been a complete failure 6)). (iii) Most important of all has been the close and constant cooperation of the Comptroller & Auditor General whose officers in the Department of Exchequer & Audit virtually act as the secretariat of the P.A.C. In its turn the P.A.C. investigates exclusively questions which have emerged in the process of audit, and which are suggested to it by the Comptroller and Auditor General. At an investigation the Accounting Officer of the Department concerned is faced not only by members of the Committee but by officers of the Treasury and Department of Exchequer and Audit. (Except that where their own decisions are in question the Treasury are also in the dock). Accounting officers usually find this a most fearsome combination.

The first business of the P.A.C. was to establish orderliness and uniformity in contracts and accounts; this process was held to have been completed by 1886, ie. after 25 years of steady pressure. The Committee then started tackling more difficult questions, such as the proper valuations of stocks and stores in the hands of Departments; unfortunately it cannot be claimed that a very satisfactory or agreed solution has been obtained in this field at least in conditions of rapidly changing prices. 7)

At first the Committee attempted to examine the Appropriation Accounts in detail, but as these became more complicated and voluminous the task became impossible; nor was such a detailed check any longer necessary at the legislative level, since, with the improvement in administrative expertise it could be satisfactorily performed by Treasury officers. Since 1921 therefore the P.A.C. has concentrated its attention on a limited range of Appropriations, but for these it has attempted something of a more sophisticated efficiency type of check; for this however it is not very well constituted. Although the P.A.C. is held in as great respect as ever, one has the feeling, which is borne out by the rather in different attendance of some members in recent years, that interest is shifting

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6) cf A. E. Buck: Financing Canadian Government.

7) For a good recent historical anount of the P.A.C. and the Estimates Committee see B. Chubb: The Control of Public Expenditure.

at the legislative level from accountability to efficiency control. There is however no less need than formerly for economy in administration in the widest sense, and for this purpose the work of the P.A.C. is indispensable.

Before passing to the work of the Estimates Committee I should like to say a word concerning efficiency control at the administrative level. I think that there are probably fewer opportunities here than on the accounting side, because an efficiency check comes very near to policy, which is the prerogative of Parliament. Even a select committee cannot usurp the rights of the whole House, but it can report on matters of policy; to go even as far as this would be improper for civil servants. Apart from a slight reorientation of the reports of the Comptroller and Auditor General in conformity with those of the P.A.C. since 1921, there has been one comparatively recent development at the administrative level which is of considerable interest: the establishment of an Organisation and Methods section in the Treasury, with liason officiers in the Departments, whose business it is to keep administrative methods continually under review, and to advise on the most efficient and economical methods of carrying out defined purposes. Since its establishment during the war I understand that the O. & M. Department has done a good deal to save Departments from making costly mistakes.

At the legislative level of efficiency control, after a great number of false starts I believe that some rather effective machinery has now been hammered out, in the operations of the Select Committee on the Estimates. In its present form this dates only from 1946, but it succeeded to a very active wartime committee which was in fact responsible for inventing many of the devices now used by the Estimates Committee. The Estimates Committee is made much larger than the P.A.C. (34 members at present) so that it can divide itself into subcommittees each investigating a separate problem; by this device it manages to make ten times as many investigations as the P.A.C. The subcommittee system is in any case very desirable, both because of the more detailled nature of the investigations that require to be made (as compared with the audit), and because there has been no detailed prior examination parallel to the work done for the P.A.C. by the Department of Exchequer & Audit.

For the present Estimates Committee "Estimates" are synonymous with "current expenditure"; previous Estimates Committees failed largely because they attempted to report on the Estimates between their formulation and their debate by Parliament, a procedure for which there is quite insufficient time. The Estimates Committee thus now provides for the first time a sort of continuous check on expenditure at the administrative level. Their reports are thus more topical than those of the P.A.C. which are not normally completed until nearly two years after the expenditure has taken place.

Even so the Estimates Committee has had to face difficulties which have never beset the P.A.C. From the first the P.A.C. enjoyed a double advantage from the existence of the Department of Exchequer and Audit: the Department automatically provided a secretariat, and its investigations furnished the P.A.C. with its agenda. Until lately the Estimates Committee has had no secretariat; while it still has to find out for istelf which subjects it can most profitably make the object of investigation. Its procedure is thus rather amateurish compared with the defined business of the P.A.C. Occasionally indeed government waste has become so apparent that subjects are suggested to the Committee by discussion in the press, but it is not to be expected — or hoped — that this will often occur.

The Estimates Committee has sought to solve the problem of its agenda by its organisation of the subcommittee system. It is divided into seven subcommittees of which one (the steering committee) is expressly charged with the duty of choosing the subjects for investigation, and allocating then to the remaining (operating) committees. As each of these finishes its investigation the Report is examined and agreed by the whole Committee, which then reports to Parliament, where it may be discussed, but is in any case (as we have seen) usually commented on extensively in the Press. Meanwhile the steering committee will have allotted another subject for investigation, so that no time is wasted. There is no formal allocation of ranges of subjects among the operating committees, but one appears to be permanently allocated to defence expenditure, a subject where investigations of this nature can be particularly useful to the House. I think it is probably the case that our service departments are in better control than those of most countries, and for this success the Estimates Committee can rightly claim a large share of responsibility.

This account of British machinery for the control of expenditure has inevitably stressed the areas in which more or less successful control has been established; but it is obvious that as the size of the public sector expands and the range of its activities increases, both the difficulty of and the need for the effective control of expenditure increase pari parsu. In Britain we have witnessed in recent years a very big expansion both in the scope and size of the public sector; although we have have made some, perhaps not inconsiderable, adaptations of the traditional control machinery to meet the new circumstances, the process is as yet by no means complete.

LE CONTROLE DES DEPENSES PUBLIQUES

PAR URSULA K. HICKS

RESUME

I - *Introduction*

Un contrôle serré des dépenses publiques, tant dans les généralités que dans les détails, constitue une nécessité pour tout gouvernement quel qu'il soit, bien que le mécanisme qui sert à effectuer ce contrôle doive nécessairement différer d'un régime à un autre. On peut distinguer trois aspects du contrôle des dépenses publiques: (i) l'aspect *conformité* (exactitude des recettes et des dépenses), (ii) l'aspect *rendement* (les organes administratifs doivent rendre au public les meilleurs services possible), (iii) l'aspect *économique* (les diverses activités du gouvernement doivent exercer sur l'économie du pays l'influence souhaitée).

Généralement, on fait une distinction entre le contrôle *„ex ante"* et le contrôle *„ex post"*; d'une certaine façon, cette distinction ne présente pas d'utilité, car il vaut mieux que le processus de contrôle soit continu.

II - *Le rôle des institutions en ce qui concerne le contrôle des dépenses*

La facilité ou la difficulté du contrôle dépend en grande partie des dispositions constitutionelles du pays. Or, il n'est pas aisé de modifier ces dispositions. Cependant, il y a diverses façons d'aménager les pratiques constitutionelles en vue de faciliter le contrôle:

(i) On établira un budget complet faisant ressortir le coût de toutes les activités du gouvernement, (recettes et dépenses). Ce budget doit être établi à une époque aussi rapprochée que possible du début de la période à laquelle il se rapporte, afin de permettre la plus grande précision possible dans les estimations. Le budget britannique est très complet, mais à certains points de vue, il est moins bien établi que celui d'autres pays, par exemple en ce qui concerne la façon de traiter les opérations de capital.

(ii) On évitera la multiplicité des lois financières et budgétaires, qui tend à détruire l'unité du plan budgétaire et rend plus malaisée la fixation, pour un délai déterminé, d'un boni ou d'un déficit économiquement court. Hormis les crédits supplémentaires accidentels, dus à des circonstances imprévues, tout le budget du Royaume Uni fait l'objet d'une seule loi budgétaire et d'une seule loi financière. La promulgation en temps voulu est assurée par la clôture des débats sur le budget.

(iii) On appliquera un système uniforme de comptabilité dans tous les départements et organismes qui remplissent des tâches similaires. Ceci n'implique pas que le *même* système de comptabilité doive être appliqué à toutes les activités indistinctement: ainsi, une comptabilité de caisse constitue le système le mieux approprié aux départements administratifs, alors qu'une comptabilité commerciale convient davantage aux organismes ayant une activité commerciale. De même, il est nécessaire qu'il y ait pour les départements administratifs un système rigoureux et uniforme d'autorisations de transferts (virements) de crédits d'un service à un autre, et de toute Appropriation in aid (sommes qui sont payées directement aux départements sans passer par le ,,Consolidated Fund'' — Trésorerie Générale).

iv) On séparera entièrement, et à tous les échelons, les organes chargés des dépenses de ceux qui sont chargés du contrôle. Cette disposition est absolument nécessaire. Il est souhaitable que tous les encaissements et tous les paiements passent par un compte unique (au Royaume Uni le ,,Consolidated Fund'') et que les comptes de tous les départements soient examinés *,,ex post''* par un seul bureau central de contrôle.

III - *Le mécanisme du contrôle*

1. *Contrôle économique*. A cet égard, le mécanisme britannique est de date récente et fonctionne à titre expérimental. Il est basé sur un système de comptabilité nationale, établi au cours de la guerre. Depuis la fin de la guerre, des plans assez précis s'étendent aux activités suivantes: (i) les exportations et les importations, (ii) les investissements, (iii) les activités du Pouvoir central. Un mécanisme de ,,planning'' a été élaboré en étroite liaison avec la Trésorerie (le Département des Finances est très centralisé et puissant).

Les statistiques qui sont à la base du planning sont réunies par le Bureau Central des Statistiques et une grande partie de l'élaboration des plans se fait au sein de la section économique, des Cabinets; ces deux administrations de création récente ont été établies au début de la guerre. On aborde le planning en quatre étapes: (i) Etablissements des budgets se rapportant aux différents projets et questions, (ii) Etablissement du programme, (iii) Conduite du programme, (iv) Evaluation des résultats. Il importe d'insister sur le fait que tout le processus de planning se développe au sein du gouvernement, et qu'il n'est pas entrepris partiellement par des organismes semi-officiels, comme c'est le cas aux Pays-Bas, par exemple. Au Royaume Uni, le planning s'applique à des périodes essentiellement courtes. Les plans d'investissement ont une durée de trois ans, sans pour cela présenter des analogies avec un Plan Quinquennal général, ni même avec de vastes programmes tels que le Plan Monnet en France.

Il est très probable que dans l'avenir le planning sera moins détaillé que pendant les années d'après guerre, et qu'on laissera une plus grande liberté au mécanisme des prix.

2. Le mécanisme du contrôle de la Conformité et du Rendement se situe à deux échelons différents: a) à l'échelon administratif, b) à l'échelon législatif.

2.a) (i) *Contrôle de la Conformité: échelon administratif:* Ici, le premier objectif est l'élaboration des règles strictes en ce qui concerne (i) le bon ordre dans les transactions, évitant ainsi des retards dans un domaine où toutes les décisions prises doivent l'être *ad hoc*, et (ii) le bon ordre dans les recettes et les paiements, surtout en ce qui concerne les administrations civiles. Dans l'administration britannique, ces objectifs sont atteints grâce à des *Accounting Officers*, qui sont en général les Chefs des départements. Leur désignation doit être formellement approuvée par la Trésorerie et ils sont considérés comme étant les agents de liaison entre leur propre département et la Trésorerie. L'Accounting Officer est personnellement responsable de toute dépense faite dans son département. En second lieu, ces objectifs sont atteints grâce aux fonctionnaires des Central Audit Departments, qui travaillent d'une façon permanente dans les Départements d'approvisionnement et sont responsables de la comptabilité de ces Départements; cette organisation permet d'effectuer un contrôle permanent et supprime toute nécessité de contrôles préalables ou de rationnements périodiques.

2. a) (ii) *Contrôle de conformité: échelon législatif:* Ce contrôle est effectué par le Public Accounts Committee, (commission d'enquête de la Chambre des Communes, formée de quinze membres dont la composition politique correspond à celle de l'ensemble de la Chambre) et présidé par un membre de l'opposition. Cette commission travaille en liaison étroite avec le Comptroller & Auditor General et ses agents de l'Audit Department; en fait, elle n'examine que les cas que lui présente l'Auditor General. Au début, lorsque le Public Accounts Committee fût créé par Gladstone, cette commission étudiait (tout au moins en principe) tous les credits budgétaires. Ceci n'est plus nécessaire actuellement, puisque cette étude est faite de façon efficace à l'échelon administratif. Le Public Accounts Committee se borne à examiner les grands problèmes de principe et à donner des avis.

2 b) (i) *Contrôle du rendement: échelon administratif:* Ici, le contrôle administratif joue un rôle moins important. En effet, le

contrôle du rendement se rapporte en grande partie à des questions politiques, qui sont du ressort du Parlement. La création de l'*Organisation & Method* section de la Trésorerie, qui a pour tâche de contrôler (à l'intervention d'agents de liaison dans les départements) de façon permanente les méthodes administratives en vue d'en augmenter l'efficacité et de favoriser l'économie de main d'oeuvre, constitue l'événement récent le plus intéressant dans ce domaine.

2 b (ii) *Contrôle du rendement: échelon législatif:* Ici, l'organe le plus important est l'Estimates Committee, une commission d'enquête de la Chambre des Communes, composée de trente-quatre membres. Elle est formée de la même manière que le Public Accounts Committee. L'Estimates Committee dans sa forme actuelle, ne date que de 1946, mais il est issu de commissions pour le contrôle des dépenses, fonctionnant pendant la guerre. L'Estimates Committee étudie au moyen de sous-commissions les dépenses courantes (l'une de ces sous-commissions est affectée d'une façon permanente aux Départements de la Défense), afin de promouvoir l'efficience et de prévenir le gaspillage. Au début, l'activité de l'Estimates Committee a été entravée faute de secrétariat, mais cette lacune est comblée à l'heure qu'il est. Contrairement à l'Estimates Committee, il est toujours encore gêné par le fait qu'il doit élaborer son propre programme, mais en règle générale il lui a été possible de signaler un grand nombre de causes de gaspillage, accidentelles ou persistantes.

Cette organisation de contrôle britannique a fait preuve d'une grande possibilité d'adaptation aux nécessités nouvelles, et aux tâches supplémentaires dévolues au pouvoir public; cependant, ce processus d'adaptation n'est pas achevé encore, particulièrement en ce qui concerne le contrôle des finances du National Health Service et des rapports entre les industries récemment nationalisées et le pouvoir législatif.

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SOME ASPECTS OF NATIONAL BUDGET ADMINISTRATION IN TURKEY 1)

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To afford interested persons outside of Turkey maximum opportunity in brief compass to understand that republic's over-all budget operation policy, five aspects of budget administration should perhaps be sketched. These include (a) the handling of facilities for economic planning which lie back of budget management, (b) the procedure for preparation of budget estimates, (c) the presentation of estimates to the parliament, (d) the legislative approval through revenue, debt, and appropriation legislation, and (e) the execution of the budget plan.

PLANNING ECONOMIC POLICY 2)

Without orderly facilities for defining economic policy, the formulation of budget policy must either include this function or must operate at the technical level largely in the dark. In Western Europe and the western hemisphere states have frequently established a professional staff for conducting economic analysis and specific arrangements for political authorities to elaborate policy needed to implement the economic program of the state. In Britain, for example, it has been said that the purpose of the central economic section of the cabinet secretariat is:

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1) Compare James W. Martin and Frank C. E. Cush, *Administration of the Turkish Ministry of Finance* (Ankara: Ministry of Finance, 1951), especially chaps. 1, 2, and 5. This document was published in a 1952 edition by the Mutual Security Agency special mission to Turkey. The first edition was translated into Turkish by Haluk Demirtash and printed (Damga Mathessi, 1952). Citations in this paper are to the original English edition published by the Ministry.

2) The national income of Turkey in 1949 was about T.L. 7,900 million. The general state budget approved for 1950-51 was (in Turkish lira)

Revenue	T.L. 1,313.3 million
Expenditures	1,487.2
Deficit	19.0 million

The discrepancy is accounted for by the use of T.L. 154.9 million of E.C.A. counterpart funds as though they were revenue (official rate T.L. 2.8 = $ 1.00; the Turkish lira is considerably depreciated on the free market). In addition to the state budget proper, about T.L. 494.8 million were approved for expenditure by annexed budget agencies (religious foundations, three universities, Directorate General of Physical Culture, coastal and frontier sanitary service, the monopolies, the state forests, the seaways,

> "To receive all economic intelligence collected by various governmental agencies; to cover, by their own researches, any gaps in that intelligence; to make or procure specific studies in those spheres not covered by any one department; to appraise economic intelligence both general and particular; and to present co-ordinated and objective pictures of the economic situation as a whole and the economic aspects of projected government policies." 3)

In the United States the President's Council of Economic Advisors makes continuing studies of kindred economic problems and through the Office of the President submits these, together with the President's own policy expression, to the congress. In the light of further review by the Joint Committee on the Economic Report and of any other information available, the congress and the President reach policy conclusions which are expressed in legislation or in appropriate executive action.

Numerous Western European countries, as well as Britain, have kindred arrangements providing for basic staff work and political policy definition.

In Turkey the state maintains no specified staff for such economic analysis 4) or political organization for systematic economic policy determination. In point of fact, the state delegates considerable segments of such policy making to the annexed budget agencies, such as the Directorate General of State Railways, the Directorate General of Seaways and Harbors, and the Directorate General of

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the railways, the airways, post-telegraph-telephone, state farms, and the Directorate General of Roads). This does not include data for the independent state enterprises even though the state budget may provide for enterprise capital or deficits to a limited degree.

These data show that state expenditures equal nearly 23 per cent of national income and suggest the exceptional importance of economic policy determination even aside from the state enterprises. Compare T. G. A. Muntz, *Turkey: Economic and Commercial Conditions in Turkey* (New York: Philosophical Library, 1951), chap. 1. Because of differences among estimates of national income, some authorities would place the ratio at 26 or 27 per cent.

The importance is all the greater because national budget policy is closely tied to local finances. In effect, over-all national and local policy is centralized. Compare Martin and Cush, *op. cit.*, chaps. 1, 2, and 5.

3) Sir John Anderson, "The Machinery of Government," *Public Administration* (1946) XXIV, No. 3, p. 153.

4) Even were such a staff available, limitations of Turkish economic statistics would preclude the immediate, accurate formulation of an economic budget such as the United States Council of Economic Advisors incorporates in its *Fifth Annual Report* to the President and which Leon H. Keyserling, chairman, employs in "The Impact of Rearmament on the United States," *Public Finance* (1952), No. 1/2, pp. 11-34 at pp. 12-20. Even a rough approximation looking toward increasing precision in subsequent years would aid this approach. Alternative attacks would be feasible.

State Airways, 5) and especially to the independent economic enterprises, such as the Central Bank, Agricultural Bank, Etibank, and Sümerbank. 6) To the extent that economic programming is defined by the government as such, rather than officially delegated, economic policy definition occurs more or less continuously in the Council of Ministers (cabinet) or in the Grand National Assembly (parliament) itself.

Beginning in 1950 the Ministry of Finance itself has performed limited functions of economic analysis incident to preparation of budget estimates. This has not been done primarily by the Directorate General of the Budget itself but rather by the Bureau of Financial Research and, in the main, specifically by Shefik Inan. 7)

Basically speaking, the net consequence of the present arrangement in Turkey is to define basic economic policy throughout the year as particular issues arise without any particular reference to the need for a consistent outlook in dealing with those aspects of policy which can and should be implemented at least in part through the national budget. For example, there is no prior consideration of the desirability of promoting inflation rather than deflation or the reverse, of deciding how much new state investment should be made and what character of investment, 8) of dealing with the particular economic policy problems incident to the employment of Marshall Plan and now Mutual Security Agency aid, of taking into account the impact of Turkish military activity on the economy, of dealing with issues relating to foreign trade, of direct participation in the market as, for example, that for grain, of encouraging or discouraging savings by private individuals and agencies, and of state action to influence the character and amount of private investments 9) — except as such decisions may happen to occur ahead of action on the budget itself. Even the analysis of economic policy as reflected in the government's budget itself, which has recently been made in the Bureau of Financial Research, has

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5) The delegation to the annexed budget agencies is subject to Ministry of Finance budget review; the delegation to the financially more remote state enterprises is not subject to state review incident to the normal budgetary procedure.

6) The last two enterprises mentioned are state industrial corporations.

7) E.g., *Commentary on the 1950 Budget* translated by special E. C. A. mission to Turkey (Ankara: June, 1950).

8) The so-called Barker Mission expressed particular solicitude in this connection about the existing lack of programming machinery but did not tie the problem to that of budgeting. International Bank for Reconstruction and Development, *The Economy of Turkey* (Washington: author, 1951). 52-54. This report is cited below as the "Barker Report."

9) The Barker Mission thought this direction of private investment could be handled by the banking system properly coordinated with state functions. *Ibid.*, pp. 54-56.

no official status and has not regularly been published and circulated even to cabinet members.

PROCEDURE FOR PLANNING BUDGET ESTIMATES

The Ministry of Finance is organized into major line divisions known as *directorates* and the more important *directorates general.* In addition there are certain bureaus for conducting activities not in the direct functional line, including the Bureau of Financial Research already mentioned, the Bureau of Inspection, and the Office of the Chief Legal Advisor. The responsibility for budget administration is lodged primarily in the Directorate General of the Budget. This agency maintains a central organization and has responsibility for directors of accounting which serve as Ministry of Finance representative in each of the several ministries and other governmental departments such as the annexed budget agencies. In some cases, and usually so as to directors of accounting in the ministries, the Ministry of Finance appoints these officials. In other instances, especially in the various economic enterprises, some other dignitary makes the appointment even though the theory of responsibility to the Minister of Finance is maintained.

Well ahead of March 1, the beginning of the budget year, the Ministry of Finance requests the advice of all governmental agencies as to revenue and expenditure estimates for the coming year. At the same time the ministry notifies its directors of accounting and may specify maximum appropriation estimates for the particular agency to which a director is attached. The actual process of initially formulating the estimates, therefore, is a co-operative one between the several directors of accounting on the one side and the officials of the particular agencies on the other.

Of course numerous agencies of the state collect revenues, but the Ministry of Finance as administrator of all taxes except customs is the agency primarily concerned. Thus, that ministry's own Directorate General of Internal Revenue prepares the bulk of the original revenue estimates. 10)

When the agency data as to both revenue and expenditure estimates are submitted to the Director General of the Budget, he causes detailed examination to be made and may have the counsel of the Bureau of Financial Research, of the Chief Legal Advisor, or of both. The ministry seeks to reach agreement with the various

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10) The recent far-reaching revision of the revenue system has made this a difficult problem. Compare Fadil H. Sur, "La reforme de l'impot sur le revenu en Turquie," *Revue de Science et de Législation Financières,* Janvier-Mars, 1952, pp. 113-131.

agencies as to Ministry of Finance recommendations concerning appropriations. After a reasonable effort in this direction, the results of the sifting process are placed before the Minister of Finance personally; and he, advised by the Director General of the Budget, reaches a conclusion as to what proposals shall be submitted to the Council of Ministers. As respects the revenue estimates, the Directorate General of Internal Revenue invariably assists the budget officials incident to the review of revenue estimates submitted by agencies outside the ministry — or, more precisely, that directorate becomes for this purpose a budget agency.

PRESENTATION OF THE ESTIMATES TO THE GRAND NATIONAL ASSEMBLY

In Turkish constitutional law the budget recommandations of the government have no legal status. In this respect the budget document which the cabinet presents to the Grand National Assembly occupies the same position as the budget document of the United States government and of the several American state governments but a very different position from that of the budget speech in Canada or Britain. In short, the budget document simply makes cabinet recommendations which the parliament may accept, discard, or modify at its pleasure. The formalities attending the presentation by the Minister of Finance of the budget proposals are of such dignity as to command general interest and to result in extensive public discussion. However an unfortunate classification of expenditures tends to divert emphasis toward minor details rather than toward policy as to programs and their support.

The budget document when presented is accompanied by a draft of a "budget law". This bill provides for revenue (if necessary including borrowing) and expenditures. The expenditure provisions for the regular ministries are of the line-item type. [11]) For the annexed budget agencies there are provisions for deficiencies or for surpluses, the former in the state expenditure column and the latter in the revenue column. The budget measure provides a detailed line-item series of appropriations for even the annexed budget agencies but of course in the separate schedules for each of them.

LEGISLATIVE APPROVAL OF THE BUDGET

The general budget measure when introduced by the Minister of Finance in the autumn is referred to the appropriate committee of the Grand National Assembly. This budget committee conducts sustained hearings with the assistance of the Minister of Finance and his aides, and, after a considerable period, reports its recommendations to the floor of the parliament. In practice, the committee proposals may reflect some modifications in the government's original recommendations. In certain instances these changes represent basic alterations in fiscal policy. In any case, they may well be sufficiently important to justify a sharp distinction, fiscally speaking, between the budget bill as submitted by the Minister of Finance and the same measure as recommended by the committee.

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[11]) Inan (*op. cit.*, pp. 96-97) finds budgeting for personnel comparable in some respects to practice in Belgium, Switzerland, and Italy.

When the budget bill is reported to the Grand National Assembly as a whole,12) formal provision is made for the Minister of Finance to open the debate and for his address to be followed by formal speeches from the opposition party leader and from representatives of minor parties and of independents if the minorities desire to be heard. These proceedings occupy a full afternoon's session of the parliament and are followed by other debate in which the Minister of Finance generally speaks for the government.

At the close of the debate, the budget measure, possibly with amendments from the floor, is enacted 13) and becomes the basis for operations for the ensuing fiscal year. Meantime, throughout the session the Grand National Assembly from time to time enacts general and special laws which involve appropriations. In some years the ratio of the expenditures not provided for in the original estimates to the total expenditures is rather large; in others it is comparatively insignificant. 14) In any event, the practice of making supplementary appropriations is one which renders examination of the budget estimates proper decidedly misleading, particularly in respect of certain categories of expenditure.

BUDGET EXECUTION

Execution of the budget including appropriations provided by special bills as well as revenues and expenditure authorized by the budget law as such, of couse, rests in the hands of the Directorate General of the Budget in the Ministry of Finance. The first step in budget administration concerns the making of formal allocations

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12) The report comes to the floor characteristically at so late a date that the parliament's schedule is seriously crowded.

13) The majority party in the generally two-party parliament in practice votes as a block.

14) Inan (*op. cit.*, p. 127) finds that the other appropriations had ranged from 1.16 per cent in 1949 to 132.03 per cent in 1942. Since the war, aside from 1947, the other appropriations had not exceeded 11.11 per cent of total. Actual disbursements have in recent years been 4.5 to 7.5 per cent below aggregate appropriations.

as between the central government and the field offices, which are largely integrated with local government. These allocations are made by the individual governmental agencies with the assistance of the directors of accounting. They involve distribution of each agency's appropriations among the more than 60 provinces and in excess of 500 districts, which are for financial administration purposes subdivisions of the provinces. However, the national authorities in a province, on their own responsibility and without central review, may not make reallocations as among districts or as between the provincial office itself and any of the various district offices.

The allocations provide for an elaborate classification as to each service such as accounting administration, tax administration, and public property control (to use the simplest Ministry of Finance field establishment as an example). Ostensibly this classification is based on objects of expenditure, but some of the 10 categories are not really object concepts. For example, "personnel expenditures" and "investments" 15) represent two distinct object categories which are used, but another category designated "administrative expenditures" includes two or more object categories and its content in the various governmental services is not uniform. The net result of the classification structure is to assign such small amounts to some offices as to render the budget arrangement, especially for field services, decidedly rigid.

The budget of the Turkish Republic in execution is inflexible in certain other respects, and the Ministry of Finance adopts a passive role. 16) Except for a few unusual cases (for example for the Ministry of National Defense and the Ministry of Finance), there are no contingency appropriations; and there is no *general* provision for contingencies. Thus, no official or body in the administration has authority to increase the available appropriation of any ministry, no matter how serious the special emergency (aside from the two or three ministries having special funds). Similarly, the law provides no authority for budget transfers in the western sense of the word. Each ministry, with the approval of the director of accounting, may change the allocations in the course of the year for that particular ministry; but in doing so whatever sum is made available additionally to the province of Istanbul for a particular "object", for instance, is lost by other provinces or by the central organization of the ministry concerned for that same "object". Also limiting flexibility is the lack of any system of allotments by means of which the Ministry of Finance or the cabinet as a whole may

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15) It should be observed, however, that "investments" do not include *all* capital outlay but merely "major capital expenditures."

16) See Martin and Cush, *op. cit.*, chap. 1.

exercise control within the appropriations to various agencies. Thus, the Director General of the Budget has no tool for assisting the several ministries and other agencies of the state by avoiding overspending or underspending during a particular part of the year to prevent difficulties late in the fiscal period. Each agency must take the consequences of its own folly than do so without, in many cases, having the benefit of specialized counsel other than its director of accounting.[17]) One result of this situation and of the plan of allocations actually pursued is that certain supplies simply cannot be procured in particular local offices during some parts of the year. Indeed, in certain cases the allocation to an individual office may be so niggardly that it can purchase no supplies of one particular class during an entire year. Obviously, each office must buy those things which are most urgent and do without other needed facilities.

The pattern of budgetary control is materially influenced by the general scheme of accounting employed. The directorate General of Public Accounting maintains on a strict cash receipts and disbursement basis a continuous record of all receipts and expenditures. The revenue accounts, aside from certain peculiarities beyond the scope of this paper, are handled by this directorate general in a fairly orthodox fashion except for some duplicate records and except that there is no accounting for accruals until cash collections are made. The expenditure accounts, however, are duplicate or triplicate lists and not accounting records in the Western European or American sense. Moreover, all records are on a strict disbursements basis and reflect no commitments until actual cash is paid out. Additionally, for purposes of treasury control — a function which in the national government of Turkey is treated as entirely distinct from budget administration — the Directorate General of the Treasury maintains a complete record of all disbursements. The records kept by the directors of accounting in the aggregate also comprise a third comprehensive accounting for all disbursements. Viewed as a totality, then, the accounts provide triplicate records of disbursements but do not, as a whole, offer the budget authorities the expenditure data needed for management control in the light of departmental commitments.[18])

There is one additional limitation on budget management incident to the regular process of administration. The budget concept provides fixed amounts which may be spent in their entirety but without any overdraft if successful financial administration is to be attained. Even the number and classification [19]) of the civil servants to be employed are expressly provided in the annual budget. Thus, the fiction is adhered to that the Grand National Assembly really exercises administrative control over the entire financial process.

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[17]) The area within which early overspending may occur, in view of line-item appropriations, is limited.

[18]) Certain directors of accounting have provided for a sort of encumbrance record which makes possible departmental control.

Under usual fiscal procedure, the final accounting for revenues and expenditures can be regarded as part of the normal administrative process. In Turkey, however, it is in some respects a part of the control process, that is, a part of the procedure by which individual civil servants are checked in order to prevent irregularities. In the administration of this check as well as in the subsequent outside audit verification, the law does not distinguish between embezzlement on the one side and unauthorized disbursements because of clerical error on the other. The individual civil servant who authorizes or disburses funds is personally responsible, whether an error stems from the perpetration of a fraud or a clerical slip. [20])

In reaching a final accounting the Directorate General of Public Accounting undertakes to compare estimates with expenditures so that there will be an accounting verification of the process by which the budget for the annual period is administered. This record, which in recent years has not become available for a year or two following the close of the fiscal period, is officially filed with the Grand National Assembly and with the Auditor General.

Final verification of the result of budgetary operations comes even later, and incidentally later than the authorized constitutional period, and constitutes a final review by the Auditor General (perhaps "Court of Accounts" would be a better translation) in behalf of the Grand National Assembly. At the conclusion of this outside verification, the Auditor General files a record with the Grand National Assembly saying in effect that he finds (for example) 30 specified variations from precise accuracy in the final accounts by the Ministry of Finance and that the final accounts may be accepted if the specified discrepancies are corrected.

Finally, the Grand National Assembly formally enacts a statute which in effect accepts the Auditor General's record of budget performance and shows the discrepancies between the estimates and the revenue and expenditure achievements.

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[19]) "Classification" in the usual sense (e.g., United Nations, *Report of the First Seminar on Public Personnel Management)* is lacking in Turkey.

[20]) Similar personal liability attaches, of course, as respects revenue administration.

SUGGESTED REVISION OF BUDGET PROCEDURE

The wisdom of particular administrative gadgets to implement budget policy, like those for making other government programs operative, depends on the historical and institutional setting. This truism strikes one accustomed to western practices much more forcibly in respect of Turkish budget administration than in regard to differential arrangements among the other European and American countries themselves. Perhaps the most impressive example stems from the passage 21) of the "public accounting law" in the midst of Ataturk revolution and the consequent failure to take advantage of budget modernization which has occured elsewhere during the past quarter of a century.

In view of the peculiar Turkish history and institutions, any critical evaluation of national budget administration for students elsewhere must inevitably skirt many of the most urgent problems or appear naive or foolish to the public finance man who has not directly examined the situation in Turkey. The summary discussion which follows seeks a compromise between the two dangers; consequently, the author may be expected to overlook some urgent matters *and* to appear to the specialist to belabor the obvious. Despite these risks, the writer will comment critically on a few immediate problems in Turkey rather than attempting any basic contribution to budgetary theory.

The outlook in Turkish budget administration is passive and is directed almost solely toward the prevention of financial irregularities. This focus results partly from the grave dangers of official misdeeds in the troubled period of the 1920's when the current pattern was established, partly from traditions inherited from the Ottoman Empire, and partly from the stress on the statutory in respect of procedural detail as well as policy in the civil law code which provides the formal basis for the Turkish administrative machinery. One basic problem in Turkey, therefore, is to develop management initiative coupled with an enlarged conception of the budget function and, as far as possible, to do so within the framework of Turkish history and institutions. 22) Under advanced thinking in the west, the budget administrator would plan, organize, direct, coordinate, and control from the viewpoint of the executive; the budget plan and its execution would emerge from systematic over-all planning of functional activities and of their efficient management and the translation of the results into a fiscal program

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21) The 1927 enactment was really a revision of a very old statute.

22) This problem is examined at length in Martin and Cush, *op. cit.*, chap. 1 and, in some particular applications, at pp. 131 ff.

and ultimately into public services on the one side and a realization of the basic financial scheme on the other. The objective would be, not merely or even primarily the prevention of abuses, but the positive achievement of the economical provision of public services.

A second aspect of the Turkish budget administration concerns the economic policy which the budget would help to implement.[23] The outlook could well be revised to take full account of the implications of budgetary action for promotion of inflation or deflation, for directing public investments, for recognition of the economic consequences of military policy, for reconciling fiscal policy with government participation in the market, and for influencing the character and amount of private investments. If such a view is adopted, the republic cannot afford the luxury of continuing to do without a technical staff for analyzing experience and problems in these and other economic areas and without the political machinery for definite official programming in the light of technical staff findings all as an antecedent to the preparation of budget estimates. The outlook of the Directorate General of the Budget cannot be defined wisely except on the basis of a program as to such economic issues. Even if there were thought of assigning such responsibility to the existing budget staff itself, and apparently there is no such suggestion, that staff is inadequate in size and inappropriate in character for the needed economic research and political policy decisions as to underlying policy. Incidentally, Turkey requires for the adequate budget implementation of its economic program some governmental machinery for the coordination of state economic enterprise[24] policy with state budgetary policy, especially in respect of new investment.[25] Lack of coordination may mean that one or several of the economic enterprises follow programs inconsistent in the short run with the official policy of the state. The existing practice with regard to public construction results in many poorly erected buildings, in years of delays in the completion of buildings or in failure ever to complete them, and in both over- and under-building for certain functions or locations. These wastes are a consequence of inadequate investment planning. They come in part from the rigidity and timing of the annual budget. There is no systematic construction plan beyond the current year.

The preparation of the *budget estimates* in Turkey, on the face of the situation, follows much the usual course. But the *outlook* has been that of finding revenue sources which are politically acceptable, without emphasizing noninterference with business, and of limiting expenditures rather than of securing maximum service for a given amount of money. In respect of tax policy, there is evidence of a recent constructive tendency to shift emphasis toward stressing the maintenance of the economy. This is evident in the modernization and extension of the income tax and in the even more recent revisions, for example, in the transactions tax. There is no such encouragement as to the budgetary approach to expenditure estimates. For example, the practice of making provision for new schoolhouses while others in varying stages of completion weather away needed but unoccupied continues; the expensive recording of statistics without provision for their tabulation or circulation or other availability for use persists. To make the budget an effective instrument for producing economy the Ministry of Finance appears to require a budget policy of providing leadership toward securing the greatest amount and highest quality of public service for a given expenditure. Such a policy, among other things, would make possible government-wide reduction in centralization of administrative action "which now overloads top personnel with formalities, which enmeshes subordinate supervisors in red tape, which incorporates in legislation many details of administration, and which in effect precludes the adoption of a positive administrative outlook" in the offices of the ministers. 26)

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[23] Barker Report, chap. 4; Martin and Cush, *op. cit.*, pp. 115-120.

[24] The economic enterprises are government corporations.

[25] Barker Report, pp. 52-54; Martin and Cush, *op. cit.*, pp. 147-152.

Perhaps the most urgent problems of *budget legislation* concern (a) delays, (b) line-item appropriations, and (c) disregard for the integrity of the general appropriation legislation. The slowness of budget action in the Grand National Assembly, occasioned in a degree by focusing on details rather than policies, chronically limits the effectiveness of administrative action. 27 On one recent occasion such delays led to changing fiscal years for the state and for local government. Lump-sum appropriations would be a means toward a management approach to the budgetary process, but perhaps of little use under present budget philosophy. 28) The practice of making numerous appropriations in legislation separate from the annual general budget act should be curbed when work plans have been developed, allotment procedures authorized and worked out, and other aspects of modern budget flexibility have been brought into current use. Under present conditions of economic policy planing, some such appropriations may be inevitable.

Prerequisite to adequate *budget execution* with a management

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26) Martin and Cush, *op. cit.*, p. 166.

27) Because of the intimate tie with local government, the interference with normal activity extends in a degree to provincial and municipal government.

28) Other means of flexibility, as suggested in a later paragraph of the text, are to be desired.

outlook are certain nonbudget as well as budget changes in procedure and policy. One revision would provide a single comprehensive, prompt, and up-to-date accounting installation, which should be as simple and inexpensive as the complex government structure permits. Although there is already an Auditor General responsible to the Grand National Assembly for post audits, the existing arrangements for the audit require revision if a satisfactory budget management job is to be made operative. The revision at the minimum would involve (a) separating the audit function from responsibility for current settlements, from the agency responsible for prosecution of allegedly defaulting finance personnel, and from all judicial assignments; (b) requiring that audits be conducted where records are kept rather than having tons of "accounts" transported to Ankara; (c) providing adequate authority for auditors to conduct needed investigations; and (d) drawing an appropriate line between clerical and judgment errors and embezzlement. 29) Certain tools of budgetary administration in general use elsewhere would be essential in the Turkish budget execution to implement a positive outlook. There would be required a system of allotments based on well-designed work plans. The preparation of work plans would assure some forward planning; systematic review of these would facilitate flexible fiscal management, including coordination. Other means of flexibility, such as a general contingency appropriation and perhaps limited authorization of tranfers, would assist a discriminating, management-minded budget directorate general. Far the most important budget-execution need of all, if the Turkish state budget system is to exploit fully the fiscal experience elsewhere, is a fundamental reversal of *attitude*, including the staffing and objectives of this function.

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29) In tax administration, the law should permit reasonable administrative discretion in the employment of scarce resources.

QUELQUES ASPECTS DE L'ADMINISTRATION DU BUDGET NATIONAL EN TURQUIE

PAR PROF. J. W. MARTIN

RESUME

En Turquie la prévention des irrégularités financières nécessite un examen approfondi du processus budgétaire. La gestion du budget devrait suivre à la lettre et sans défaillance le programme financier adopté par la Grande Assemblée Nationale, ou Parlement turc. Cette ligne de conduite éviterait les fautes administratives, les erreurs de jugement ainsi que l'emploi abusif des deniers publics par des fonctionnaires responsables de l'administration des revenus et des dépenses. S'il est évident qu'en Turquie la tendance favorable au concept classique de „l'équilibre budgétaire" n'est pas très forte, on ne constate, cependant, aucune tentative de planification économique, et en outre aucune disposition ne vise à faire du budget un instrument efficace, utile à l'établissement d'une monnaie saine et favorable au commerce avec l'étranger ainsi qu'aux investissements. Bref, on n'observe aucune mesure de politique économique s'appuyant sur les précieux auxiliaires que constituent les techniques budgétaires modernes. En effet, en dehors des travaux parlementaires, il n'existe point d'institution chargée de l'étude des problèmes économiques, ni d'organisme responsable de la préparation des programmes gouvernementaux sur le plan économique. C'est pourquoi la politique économique reflétée par le budget ne permet pas d'assurer une liaison étroite avec les politiques commerciales étrangères; elle n'a pas non plus de contact intime avec la politique monétaire de la Banque Centrale, ni avec la politique d'investissements des entreprises commerciales indépendantes 1), qui contrôlent une grande partie de toutes les activités commerciales de la Turquie. Ces réserves étant faites, on peut die que l'établissement du budget turc s'apparente par ses usages à ceux en vigueur en Europe occidentale et en Amérique. En particulier, l'élaboration du projet de budget, sa soumission au Parlement et son adoption par la Grande Assemblée Nationale ressemblent d'une manière générale aux habitudes du monde occidental. La différence primordiale réside peut-être plus dans le processus d'adoption que dans l'élaboration préliminaire du budget. La Grande Assemblée Nationale considère que les recommandations du Cabinet sont toutes passibles d'amendements; en Turquie il n'y a pas de „question de confiance" ni aucune autre tradition qui puisse entraîner, au cours des débats parlementaires, des changements d'une grande portée dans le pro-

jet de budget. Lorsque le budget est approuvé, il est promulgué en bloc et non pas comme une série de lois relatives aux recettes et aux dépenses. En dehors de la législation, tant générale que spéciale, et de la loi budgétaire elle-même, la Grande Assemblée Nationale a le pouvoir de décréter des impôts et de décider des dépenses; souvent elle fait usage de ce droit, violant ainsi sa propre loi budgétaire.

Il découle de la procédure budgétaire, dont nous parlons plus haut, que l'application de la loi budgétaire turque a un caractère routinier et que les administrateurs y jouent un rôle passif. La procédure d'exécution a été spécialement instituée pour garantir l'Etat contre les abus de l'administration fiscale, qu'il s'agisse d'abus de caractère général incompatibles avec la politique de la Grande Assemblée Nationale telle qu'elle a été expressément définie dans le texte de la loi budgétaire, ou d'abus tels que malversations ou négligences administratives individuelles, commises par les fonctionnaires — dans les deux cas le fonctionnaire est responsable personnellement —. L'application de la loi budgétaire turque n'est pas adaptée aux nécessités modernes, les activités administratives manquent de cohésion; à l'échelle gouvernementale aucune technique ne permet d'assouplir le plan rigide établi par la Grande Assemblée Nationale. Cette politique a pour corollaire les fréquents amendements que la Grande Assemblée Nationale apporte elle-même au budget et dont nous avons parlé plus haut. Cette méthode est déplorable et coûteuse; elle n'aurait pas de raison d'être — sauf circonstances extraordinaires — si la politique budgétaire était conduite avec plus d'initiative et dans un esprit moins routinier. La manière d'élaborer le budget devrait être modifiée a) pour tenir compte avec méthode d'une politique économique nationale systématiquement établie, b) pour servir d'instrument au pouvoir exécutif central dans l'organisation fonctionnelle et fiscale; il faut comprendre ici la planification, l'organisation, la direction, la coordination et le contrôle, et c) pour faciliter l'action de l'administration en cas d'urgence financière, grâce à une procédure plus souple, compatible avec le programme parlementaire, mais soustraite aux retards et aux complications, et n'entraînant pas d'amendements au budget, sauf dans des circonstances exceptionnelles telles que des tremblements de terre ou la guerre.

Pour pouvoir adopter cet esprit de coordination, le directorat général responsable de l'administration budgétaire aurait grand besoin de changer ses méthodes; notamment en ce qui concerne la comptabilité et le contrôle; il devrait disposer de moyens budgétaires modernes tels que l'attribution de sommes globales qui viendraient remplacer les attributions de fonds étroitement délimités. La continuité d'un exercice budgétaire à l'autre est indispensable, tout particulièrement pour permettre l'exécution d'un programme économique — en liaison étroite avec les plans des corporations gouvernementales — constamment adapté aux exigences modernes. Il faudrait prévoir des dispositions propres à assurer un travail systématique, un compte de réserve sans destination définie et tous les aménagements capables d'assurer le maximum de souplesse administrative.

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1) Corporations gouvernementales.

L'ADAPTATION DU BUDGET AUX TACHES DE L'ETAT MODERNE

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Dans la période libérale, l'Etat gardait, au regard de l'économie générale, une attitude de stricte neutralité. Il se contentait d'entretenir les services publics nécessaires à l'exercice de sa souveraineté, dont le coût était minime par rapport au revenu national.

Sous l'empire de causes impérieuses, l'Etat a été appelé, depuis près d'un demi-siècle, à multiplier ses interventions dans l'économie. Celles-ci sont provoquées notamment par la tendance à faire disparaître les inégalités sociales, par l'adaptation de la vie aux découvertes scientifiques, par la résorption des crises économiques et du chômage technologique, par l'insécurité politique génératrice de la course aux armements, par la préparation et la conduite de la guerre à base de matériels qui met en oeuvre toutes les forces vives des Nations, par la reconstruction des ruines accumulées au cours des conflits, par les problèmes de la reconversion.

Pour mener à bien ses multiples interventions, l'Etat prélève à son profit une part de plus en plus importante du revenu national. Un des phénomènes les plus caractéristiques de l'économie contemporaine réside dans l'augmentation du volume des dépenses publiques, dont la nature et le caractère varient suivant les objets auxquels elles s'appliquent.

Dans tous les pays, sous la poussée de cette évolution et à des degrés différents suivant les institutions politiques il devient nécessaire de reviser les conceptions traditionnelles du droit et de la pratique budgétaires. Partout la réforme budgétaire est à l'ordre du jour.

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Aussi longtemps que les dépenses publiques n'avaient d'autre objet principal que l'entretien de services d'autorité et que, par leur faible volume, elles restaient sans incidence notable sur l'économie générale, il était concevable que le budget de l'Etat fût établi uniquement par voie d'appréciation du bien-fondé des demandes de crédits formulées par les Administrations publiques. Aujourd'hui, la masse des dépenses de l'Etat pèse d'un poids si lourd sur l'économie que l'oeuvre budgétaire ne peut plus se dérouler dans un tel isolement. Le niveau des recettes et des dépenses publiques subit l'influence de ce que l'on est convenu d'appeler la conjoncture économique, et celle-ci à son tour se trouve affectée par la gestion des deniers publics. Les finances de l'Etat dépendent de la structure économique, et l'équilibre budgétaire est devenu fonction de l'équilibre économique, dont il est l'expression la plus tangible. Dès lors, il devient nécessaire de se faire une idée approximative de l'évolution probable de la vie économique de la nation au cours de l'année future pour laquelle le budget de l'Etat est établi et d'apprécier les répercussions que peuvent avoir les mesures financières envisagées sur la marche des affaires. Un tel résultat ne peut être obtenu que s'il existe une comptabilité nationale assez rapidement établie pour que les données qu'elle procure puissent être projetées sur un avenir immédiat en vue de l'établissement d'un „plan économique" confrontant les dépenses et les recettes totales du pays. Les Etats-Unis d'Amérique, la Grande-Bretagne, la Suède, la Norvège, la Hollande sont entrés dans cette voie. La France elle-même fait dans ce sens une expérience méritoire.

Ainsi il devient indispensable pour juger de l'importance que peuvent revêtir les dépenses et les recettes budgétaires de les confronter avec le plan économique de la nation. Les imperfections actuelles de la comptabilité nationale, qui en est encore, dans certains pays, à l'ère des tâtonnements, ne doivent pas en masquer l'immense portée, et c'est à juste titre que M. le Professeur François PERROUX a pu écrire que celle-ci ne tarderait pas à se révéler „comme l'une des manifestations les plus éclatantes des progrès de la pensée et de la pratique économiques du XX° siècle".

La tenue d'une comptabilitié nationale et l'établissement d'un plan économique, dont le budget de l'Etat est partie intégrante, deviennent un instrument de direction indispensable sous tous les régimes politiques. Seul un tel instrument permet d'assigner des limites raisonnables à la fiscalité et de fixer les maxima que les dépenses publiques ne doivent excéder sans compromettre le progrès économique.

Mais il faut observer que, selon les régimes politiques, le bilan national prend un sens très différent. Dans les Etats collectivistes, il s'agit d'un „budget national" à caractère impératif; ses prescriptions s'appliquent à toutes les activités nationales, puisque celles-ci relèvent de l'autorité de l'Etat. Dans les pays démocratiques, ce caractère obligatoire doit être réservé au budget de l'Etat, acte prévisionnel qui fixe les tâches des services publics. Le plan économique, dans ces pays, doit se contenter de proposer des buts à atteindre en se fondant sur une analyse authentique des faits économiques. Telle est la conception qu'exprimait le chancelier de l'Echiquier dans le „budget speech" prononcé en 1949 devant la Chambre des Communes lorsqu'il disait:

„Puisque nous sommes et entendons rester une démocratie, nous „devons nous rappeler que le plan économique que nous présentons „n'est pas un ensemble dont le gouvernement puisse garantir l'exécu„tion. Le plan indique comment se présente la situation et ce que la „nation doit faire pour obtenir les meilleurs résultats. Parfois le gou„vernement pourra être d'un certain secours; dans d'autres cas il „appartiendra à la population elle-même de se plier volontairement „aux obligations qu'impose la situation".

Puisque aussi bien le budget de l'Etat doit faire désormais partie d'un plan national, il faut s'efforcer de donner à sa présentation un sens économique, de manière que les divers postes puissent s'intégrer dans la description de l'économie générale. Mais il faut considérer que le budget de l'Etat doit avant tout garder un sens administratif, puisque c'est lui qui détermine la compétence des services publics. Cette antinomie soulèvera dans la pratique de graves difficultés. Celles-ci paraissent pouvoir être résolues par l'établissement d'un tableau de concordance fixant les règles de transfert des postes du budget de l'Etat dans les divisions du bilan national.

Quelles que soient les difficultés d'application une vérité demeure et s'impose: le budget de l'Etat ne peut plus être dressé que dans le cadre du plan économique de la nation.

II

Le budget général doit comprendre toutes les prévisions de dépenses et de recettes des services publics de l'Etat, quelles que soient leur nature et leur destination.

L'extension et la diversification des fonctions de l'Etat ont rendu très difficile dans certains domaines l'application de cette règle fondamentale. Cette application ne soulève guère de difficultés lorsqu'il s'agit des frais de fonctionnement des services publics comme aussi des dépenses d'investissement qui, faisant place, de plus en plus, au procédé assez décevant des subventions, exercent par leur masse une attraction décisive sur le développement de la production et de l'expansion économique. De telles dépenses, malgré la diversité des règles budgétaires qui doivent les régir, sont aisément identifiables et contrôlables.

Mais l'Etat est devenu industriel, commerçant et banquier. Même lorsque de telles activités, aux formes multiples, sont exercées par des organes administratifs de l'Etat, sous l'autorité directe des ministres, leur description financière ne peut plus être soumise aux règles budgétaires classiques, en raison même de la souplesse qu'exigent la nature et l'efficacité de ces activités. C'est ainsi que pour les services de caractère industriel ou commercial la limitation des autorisations de dépenses et la fixation préalable d'un rapport entre les dépenses de personnel et de matériel seraient un obstacle dirimant à l'obtention du meilleur rendement. On ne peut cependant se contenter de décrire ces opérations dans la comptabilité générale du Trésor, en les soustrayant au contrôle du Parlement. Ces „comptes spéciaux" doivent être intégrés dans le budget général de l'Etat. En France, une législation récente a réalisé dans ce domaine des progrès décisifs.

L'efficacité de la fonction économique de l'Etat exige que l'autonomie financière et administrative soit conférée à certains services d'Etat à caractère industriel et commercial. La fonction économique de l'Etat obéit ainsi à une force de décentralisation par services qui, si elle répond à d'inéluctables exigences, tend à morceler l'autorité, à diluer la souveraineté de l'Etat en une fragile suzeraineté sur des services publics, dont l'efficacité s'accomode très mal de tutelles trop rigides et de contrôles préventifs trop minutieux. Ces services paraétatiques se procréent aujourd'hui dans le monde à la manière mystérieuse des cryptogames et avec la même spontanéité. Cette prolifération prend l'aspect d'une végétation luxuriante, qui projette en tous sens ses pousses vigoureuses. Derrière leurs jeunes frondaisons se dissimulent les formes le plus subtiles de l'intervention de l'Etat.

S'il est possible et souhaitable de freiner la multiplication de ces services paraétatiques, et même d'en diminuer le nombre, il est vain d'espérer en abolir l'existence. On ne peut faire remonter un fleuve à sa source. Mais on ne peut tolérer que l'autonomie qui leur est nécessaire conduise à l'anarchie. Ces entreprises publiques n'ont pas encore trouvé leur voie; elles sont souvent restées à mi-chemin entre le droit privé et le droit public. Il faut les soumettre à des règles qui permettent d'incorporer leurs activités dans le cadre du plan économique de la nation, de leur assigner les buts qu'elles doivent atteindre, de soumettre leurs résultats à un contrôle approprié, de mettre en cause la responsabilité de leurs dirigeants, et de pouvoir mesurer les incidences réelles de leur gestion sur les finances publiques et l'économie générale.

Du point de vue financier, c'est le budget général de l'Etat qui doit faire recette, à titre de revenu industriel de l'Etat, de la part qui normalement doit lui revenir dans le produit net distribuable de ces entreprises. C'est le budget aussi qui doit supporter en dépense le montant des subventions que l'Etat est appelé éventuellement à leur verser. Le quantum de ces bénéfices distribuables, ainsi que le montant des subventions de l'Etat destinées à couvrir un déficit, doivent être strictement justifiés devant le Parlement, notamment par la production des comptes d'exploitation, de profits et pertes, et des bilans. Ces entreprises, qui gèrent un patrimoine spécial de l'Etat, doivent faire appel pour leur direction aux véritables compétences; elles doivent être soumises à la surveillance des organismes qui ont vocation pour contrôler la gestion des deniers publics. Le rattachement au budget général des soldes des entreprises publiques doit constituer l'amorce de cet indispensable contrôle des résultats.

Ces trop brèves indications suffisent à montrer que le budget de l'Etat moderne ne peut plus être présenté, comme à l'époque libérale, dans un document uniforme. Il doit constituer une „agglomération" dont les constructions, pour être de types divers, puisque leur utilité est différente, doivent se juxtaposer harmonieusement. Cette agglomération budgétaire doit inclure toutes les dépenses et les recettes de l'Etat. Au vieux principe de l'unité budgétaire se substitue celui de la *totalité budgétaire*.

C'est le respect de ce principe qui permettra de mesurer la charge réelle que les dépenses publiques font peser sur le pays.

III

Pour réaliser ses plans économiques et assurer l'expansion de la production indispensable à l'équilibre économique, l'Etat moderne et ses satellites sont appelés à procéder à des investissements considérables et à lancer, à cet effet, des commandes massives aussi bien dans l'industrie privée que dans leurs propres établissements de transformation.

La réalisation des commandes afférentes à ces investissements est toujours œuvre de longue haleine.

Il est des créations unitaires qui, par leur nature même, comportent de longs délais. C'est ainsi que l'exécution de travaux immobiliers importants exige plusieurs années. Il en est de même pour la construction d'un navire de guerre ou d'un paquebot. La fabrication unitaire de certains matériels est plus rapide, mais si ces matériels doivent être produits en grande série la durée de fabrication s'échelonne aussi sur plusieurs années.

L'exécution de ces fabrications ou de ces travaux comporte des opérations successives très complexes.

Il faut choisir les modèles des matériels à fabriquer, établir les projets de constructions immobilières. C'est la phase de la conception et des études.

Quand les modèles sont expérimentés et adoptés, il faut organiser les chantiers, dresser les plans de fabrication. Il faut ensuite créer les équipements et rassembler les outillages nécessaires, implanter les machines, se procurer les matières premières et les produits semi-finis, recruter et former les cadres et la main-d'œuvre, mettre sur pied une organisation rationnelle du travail. C'est la phase de mise en chantier ou en fabrication.

Vient ensuite la phase industrielle, au cours de laquelle les travaux s'édifient et les objets sont fabriqués et livrés.

L'expérience montre que, dans l'état actuel de la technique, l'exécution de tels programmes doit affecter une durée de quatre ou cinq ans.

Pour que les industries de transformation auxquelles l'Etat passe ses commandes puissent les réaliser économiquement, il faut non seulement que, dès le début de l'exécution, ces industries connaissent les quantités totales de matériels qu'elles auront à fabriquer ou l'importance des travaux qu'elles auront à effectuer, mais il faut de plus qu'elles aient l'assurance de disposer, en temps voulu, des ressources nécessaires au lancement et au règlement des opérations successives et solidaires qu'impliquent ces fabrications et ces travaux. L'industrie ne voit grand que si son avenir est assuré et que si elle a la certitude de pouvoir amortir ses investissements.

Il est dès lors indispensable que, dès le début de l'exécution d'un programme, les industries puissent recevoir de l'Etat des commandes massives pour la fabrication de la totalité des matériels que comporte ce programme, ou que tout au moins, s'il leur est attribué des commandes échelonnées, celles-ci soient étroitement enchaînées. Rien n'est plus nuisible à la production que les alternances de suractivité et d'inaction des industries. Si les commandes ne sont pas enchaînées les industries sont conduites soit à étaler les fabrications pour attendre les nouvelles commandes et éviter ainsi de désorganiser les chaînes de fabrication, soit à employer temporairement leur main-d'œuvre et leurs outillages à d'autres activités. De toute façon l'exécution sera lente et, par conséquent, onéreuse, et il en résultera de graves retards dans les livraisons. Au surplus, tout morcellement des commandes, toute rupture des chaînes de fabrication, par les effets qu'ils provoquent, ont pour conséquence de disloquer les programmes d'ensemble des industries titulaires de commandes. Si l'on considère l'importance considérable, les dépenses d'investissements de l'Etat et de ses satellites, on peut affirmer qu'il n'est pas une industrie digne de ce nom, depuis la mine jusqu'aux ateliers mécaniques, qui ne participe directement ou indirectement à l'exécution des commandes de l'Etat. Par un phénomène de gravitation, c'est autour de ces dépenses que s'ordonne la production nationale. Dès lors, on peut affirmer que, par voie de contagion, le morcellement des commandes de l'Etat entraîne une dégradation de l'économie générale du pays.

L'octroi de commandes massives ou suivies permet de répartir les frais généraux sur un grand nombre d'objets, et procure ainsi un abaissement des prix de revient.

L'exigence fondamentale de la production est la continuité. Celle-ci implique que l'Etat dispose d'un mécanisme financier qui lui permette de prendre des engagements de longue durée et d'assurer en temps opportun le règlement des dépenses résultant de ces engagements.

Or, dans la conception et la pratique traditionnelles de la plupart des pays, le vote du budget autorise les services à ordonnancer ou à payer à concurrence des crédits ouverts. Cette autorisation est donnée tous les ans. Il n'est généralement pas de crédits valables pour les années autres que celle de l'exercice financier qui concerne le budget. Dans le cas où les crédits ne sont pas entièrement consommés avant la clôture de l'exercice, la partie restante tombe en annulation. Si la règle de l'annualité budgétaire est appliquée dans toute sa rigueur, les services publics ne peuvent engager des dépenses, passer des commandes à l'industrie et conclure des marchés que dans la limite des ressources financières disponibles au cours de l'exercice. Tandis que les opérations du règlement des dépenses de travaux et de fabrications s'étalent sur plusieurs années, les crédits annuels sont, par définition, calculés pour couvrir seulement les dépenses venant à terme au cours de l'année. Ils ne peuvent donc permettre d'engager qu'une faible partie de la dépense totale des travaux ou des fabrications. La fin de l'exercice amène le retrait de tout moyen de financement, et il faut attendre le budget suivant pour disposer de ressources nouvelles et lancer de nouvelles commandes. Lorsque s'ouvre le nouvel exercice les fabrications ou travaux à réaliser n'ont pu encore être préparés, puisque, avant le vote du budget, les services n'ont aucune possibilité de prendre un engagement quelconque envers les fournisseurs. Il y a donc fatalement en fin d'année rupture des chaînes de fabrication. Un tel régime est une hérésie en matière industrielle, puisqu'il fait obstacle à toute prévision lointaine, qu'il interdit de passer des commandes massives ou simplement suivies, qu'il enlève aux industries toute certitude de pouvoir amortir leurs installations et leurs outillages et de disposer au moment voulu des ressources financières nécessaires au règlement qu'entraînent ces commandes.

Des palliatifs ont été apportés depuis longtemps, dans beaucoup de pays, à la règle stricte de l'annualité budgétaire. Il en est ainsi des reports de crédits et des autorisations d'engagements de dépenses. Mais dans de nombreux cas, ces palliatifs sont insuffisants pour adapter, avec l'efficacité voulue, les règles financières aux exigences industrielles.

Certains pays, par le mécanisme des crédits „continus", valables jusqu'à ce qu'ait été atteint l'objectif pour lequel ils ont été votés, ont résolu parfaitement le problème. Tel est le cas des Etats-Unis d'Amérique. D'autres, comme l'Italie, par le jeu des crédits d'engagements résiduels, en ont facilité la solution. Il en est de même dans les Etats où, comme en Angleterre, le budget est, en fait, un acte administratif soumis à l'adhésion du Parlement („le Roi demande, les Communes accordent, les Lords enregistrent"). Dans ce pays où l'autorité budgétaire est, en fait, entre les mains de l'Exécutif, celui-ci, libre de son action, engage les dépenses au rythme voulu dans le cadre de programmes rigoureusement établis et évalués et se trouve certain de pouvoir les régler par le vote des crédits budgétaires, dont le refus par la Chambre des Communes entraînerait la démission du Gouvernement et la dissolution.

Mais dans d'autres pays démocratiques, comme en France, l'autorité budgétaire est partagée entre l'Exécutif et le Législatif. Il faut alors recourir, dans de nombreux cas, à la procédure dite des „lois de programme". La réalisation d'un programme de longue durée doit, sur justifications techniques précises, être autorisée par la loi. Il doit être assorti d'un plan financier qui fixe le montant des engagements totaux et donne possibilité aux administrations qui passent les commandes d'engager massivement la totalité des dépenses des programmes ou de les échelonner dans le temps, de manière que la production soit continue. Il faut aussi que cette loi de programme fixe, suivant des échéanciers, les tranches annuelles de paiement, qui, sous réserve de révisions périodiques rendues nécessaires par les variations des techniques et des prix, seront incorporées dans les budgets successifs afférents à la période d'exécution des programmes. Il est d'ailleurs possible d'envisager des mesures qui permettent l'accélération ou l'étalement des commandes.

C'est là le seul moyen d'éviter qu'à l'occasion des votes annuels du budget, le principe même des plans puisse être remis en cause, et que, par les conséquences catastrophiques qu'engendre inévitablement une telle rupture, un trouble très grave ne soit apporté dans la gestion des entreprises et dans l'économie générale du pays. C'est aussi un des moyens les plus efficaces, par la compression du prix de revient des investissements, de diminuer leur pression inflationniste.

IV

Aussi longtemps que l'Etat se bornait à assurer la direction de grands services politiques et administratifs, et que le budget distribuait à cet effet des moyens immédiatement consommables, il était admissible que la comptabilité publique se bornât à enregistrer des entrées et des sorties de fonds et que les règles administratives aient essentiellement pour objet d'assurer, par des contrôles préventifs rigoureux, la régularité de ces opérations de caisse. Cette conception est aujourd'hui périmée. L'incidence de la gestion des finances publiques sur l'économie générale est désormais si grande que l'Etat doit veiller avant tout à l'efficacité des services publics, calculer le coût de ces services et le comprimer par une organisation rationnelle, faire de la comptabilité publique un instrument de direction et de mesure des variations de la fortune publique.

Le budget n'est qu'un état de prévision: seul le compte public peut en toute certitude permettre de porter un jugement sur la gestion des finances publiques.

Le budget qui doit être l'expression chiffrée d'un plan d'administration et qui détermine les compétences des Services publics doit être mis en application dès le début de la période à laquelle il s'applique. C'est là un impératif catégorique. Tout retard dans la mise en application du budget a des conséquences désastreuses. Il paralyse l'action administrative qui en arrive à vivre au jour le jour. Il astreint l'Administration, en ce qui concerne les dépenses courantes de matériel, à passer des commandes parcellaires dont les coûts sont forcément très élevés.

S'il est indispensable d'assurer l'équilibre des prévisions budgétaires, il est encore plus nécessaire de savoir si, en fin d'exécution du budget, cet équilibre a été respecté. Dès lors, le contrôle du Parlement et de l'opinion doit s'exercer davantage sur les comptes publics, descripteurs de faits accomplis, que sur les prévisions. Telle est d'ailleurs la pratique britannique traditionnelle. En Angleterre la Chambre des Communes a, depuis 1713, renoncé à exercer son droit d'initiative en matière de dépenses. Le projet de budget élaboré par le gouvernement est mis en application, par un régime d'acomptes, avant d'être définitivement voté. C'est le gouvernement qui en fait a la responsabilité financière. Le Parlement lui fait confiance pour la présentation du budget, mais en contre-partie, le Comité des comptes publics de la Chambre des Communes, présidé par le chef ou par un membre influent de l'opposition de Sa Majesté et assisté par le Contrôleur auditeur général, passe sévèrement au crible les comptes publics, rendus avec célérité, et met en cause, le cas échéant, la responsabilité du haut fonctionnaire du rang le plus élevé (accounting officer) qui, dans chaque grand Ministère, est personnellement responsable devant le Parlement de l'administration financière de son département. La large publicité donnée aux débats du Comité des Comptes publics témoigne de l'intérêt que la nation porte à la gestion des deniers publics.

En France, l'interdiction, pour les parlementaires, d'exercer leur droit d'initiative en matière de dépenses à l'occasion des lois budgétaires (article 17 de la Constitution de 1946) tend à conférer ainsi la responsabilité financière au Gouvernement et nous incite, par là même, à entrer dans cette voie salutaire. L'institution récente d'une cour de discipline budgétaire qui permet, avec toute la prudence désirable, de sanctionner pécuniairement les fautes lourdes des administrateurs dans la gestion des finances publiques, doit nous confirmer dans cette tendance. Les instruments fondamentaux de la réforme sont donc à pied d'œuvre, mais il faut que la responsabilité des fonctionnaires soit plus précisément définie.

Pour que le Parlement puisse faire plus de confiance au gouvernement dans l'élaboration du budget, que la discussion de celui-ci soit abrégée, que le vote intervienne en temps voulu, pour que les ministres puissent à leur tour faire bénéficier les administrateurs d'un préjugé favorable, pour que les contrôles préventifs, qui, par leur excès, freinent l'esprit d'initiative et de création des administrateurs, puissent être allégés, il faut de toute évidence que les comptes publics soient rendus avec célérité. Or, dans certains pays comme la France, la reddition de ces comptes a été longtemps très tardive. Ils n'ont eu d'autre valeur que celle d'un document historique. Des efforts considérables ont été faits récemment pour les rendre plus actuels. On ne saurait assez rendre hommage aux résultats déjà obtenus. Mais un pas de plus doit être franchi.

La reddition rapide des comptes publics exige une discipline qui doit se traduire tout d'abord par une simplification de la présentation du budget. Les prévisions de dépenses de fonctionnement doivent être groupées par grands Services, dont le coût global doit se dégager nettement, tout en permettant dans des documents annexes de regrouper les dépenses suivant leur nature. Le nombre des chapitres budgétaires doit être considérablement diminué afin de laisser plus de liberté d'action à l'Administration et de simplifier au maximum l'enregistrement des faits comptables. De grands progrès ont été réalisés, en France, surtout en ce qui concerne les budgets civils. Il faut aussi, malgré ses avantages, renoncer à l'application intégrale de la comptabilité d'exercice pour recourir, avec certaines atténuations, à la comptabilité de gestion. Ce sont là des mesures proprement techniques dont la description complète exigerait de trop longs et arides développements.

Bénéficiant du fait que, depuis 1936, la comptabilité administrative dans laquelle les Ministres rendent compte de leur gestion a été dissociée de la Comptabilité de Caisse des payeurs, soumise à la juridiction de la Cour des Comptes, il est possible de présenter au Parlement les comptes des Ministres, vérifiés par la Cour des Comptes, dans un délai assez bref après la clôture de l'année financière. Le Parlement, éclairé par l'examen de ces comptes confié à un Haut Comité parlementaire spécialement constitué à cet effet, serait alors en mesure d'ouvrir, sur les données de chiffres authentiques, un débat sur l'exécution du budget qui vient de se clôturer, non seulement dans le but de mettre en cause les responsabilités des Ministres et des

Administrateurs, mais, aussi et surtout, pour jeter les bases de ses interventions lors de la présentation par le Gouvernement du budget suivant. Cette procédure permettrait au Gouvernement lui-même d'asseoir ses prévisions budgétaires sur des bases plus sérieuses qu'il n'advient encore aujourd'hui.

★

Intégration du budget de l'Etat dans un budget national, totalité budgétaire se substituant à la vieille régle de l'unité, diminution de la spécialité budgétaire, vote de lois de programme pour les dépenses de matériel qui se déroulent sur une durée plus longue que l'année, élaboration d'une comptabilité patrimoniale et reddition rapide des comptes publics, responsabilité des administrateurs, tels apparaissent devoir être les fondements essentiels de la réforme budgétaire voulue par la Constitution française en vue d'adapter la conception du budget aux tâches multiples qu'assume l'Etat moderne.

ADAPTATION OF THE BUDGET TO THE TASKS OF A MODERN STATE

BY ROBERT JACOMET

SUMMARY

At the times of liberalism, and so far as the general level of economy is concerned, the State used to maintain an attitude of strict neutrality. It just limited its activity to the working of public services which are necessary to perform its functions. The cost of this was extremely low as compared with national income.

Under imperious necessities, the State has been called upon, for the last fifty years, to interfere more and more frequently with the economy, and, as a result of it, to collect for its own benefit ever-increasing amounts of the national income. Under the pressure of such an evolution, it has become necessary to reconsider the traditional concepts of budgetary legislation and budgetary practice.

I.

As long as public outlay did not have any other aim than the maintenance of governmental services and, because of its feeble amount did not have any noticeable influence over the general economy, it was conceivable that the budget should be established by way of an appreciation on the basis of credit-requirement formulated by public administrations. Nowadays, the bulk of public outlays weighs so heavily upon the economy that the budgetary process can no longer be worked out in such independance. It has therefore become necessary to foresee the probable evolution of the economic life of the nation for the fiscal year and to forecast the consequences that the proposed financial measures are likely to bring about in the field of business activity.

Such a result can only be achieved if there exists a national accounting system which must be established quickly enough so that the data it supplies may be applied to the immediate future with a view to setting up an "economic planning".

The use of a national accounting system and the setting up of an economic plan including the State Budget, have become an indispensable means of ruling under every kind of political regime.

But one should emphasize the fact that the balance of public accounts takes a different meaning according to the prevailing political regime. In socialist countries the "National budget" presents an imperative character; its regulations rule all national activities.

II.

In democratic countries, this compulsory character should apply to the State budget only. Economic planning in these countries should aim at different objectives on the basis of economic analysis. The general budget should include all estimates of revenue and expenditure of public services, wherever they come from.

The extension and diversity of the functions of the state have, in certain cases, made it difficult to apply this fundamental rule. Such an application produces hardly any difficulty so far as the working expenses of public services, as well as investment outlays are concerned. But the state is at the same time an "entrepreneur", a banker and a merchant. And even when such activities are carried out by administrative departments of the State, under the direct authority of the Ministers, their financial descriptions cannot be subject to classical budgetary rules. However, one cannot be content with describing these operations in the general accounts of the Treasury while exempting them from a legislative control. Such "special accounts" should be included in the general budget of the State.

In order to allow a full efficiency of the economic functions of the State it is necessary that financial and administrative autonomy should be granted to certain state departments of industrial and commercial character.

Even though it is both possible and desirable to restrain the ever-increasing number of such departments, one can hardly hope to abolish their existence. But one can certainly not tolerate that the autonomy they need threatens to lead to anarchy.

From the financial point of view the Budget item "Industrial receipts of the State" must be credited of the amount which normally has to be paid to the State out of net product of these services. It is also the same Budget which should bear the expenses of subsidies which the State is eventually called upon to allot them. The quantum of the benefits to be distributed, as well as the amount of the State subsidies should be strictly accounted for before Parliament, especially in producing accounts of the working capital, of profits and loss and of the balance-sheets. Such enterprises should be subject to supervision by those bodies which are entitled to control the public funds.

III.

In order to achieve these economic projects and to insure the expansion of the production which is necessary for economic health, the modern State and its satellites are called upon to proceed to huge investments and for this same purpose to decide massive orders alotted to private industry as well as to its own manufacturing industry.

The carrying out of the orders relating to these investments is always a long-term matter and is frequently beyond the context of an annual budget.

In order that the manufacturing industry to whom the State delivers its orders may carry them out economically, it is necessary for these industries to have a perfect knowledge of the total quantities of materials they are required to produce and of the importance of the work they will have to do.

It thus appears, that from the very beginning of the realization of a programme, the industries should receive from the State massive orders for the production of the total amount of materials, or at least, if such industries were to receive graduated orders, these orders should be reasonably connected with one another.

The rule of an annually budget is anti-economic. It fatally leads to parcelling out the orders, and this has disastrous consequences on the general economic level of the country.

In countries where the budgetary ruling is carried out both by the Executive and the Legislative, one has, in various cases, to use the procedure known as "programme laws". The carrying out of a long-run programme based on precise technical accounts, must be allowed by the Law. Such a programme should be worked out together with a financial planning which establishes the total amount of liabilities involved and allows the departments which delivers the orders, either to engage the total bulk of programme outlays, or to graduate them without interrupting production. It is also desirable that this programme law should establish, in accordance with appropriate bill-books, the various maturity periods which, subject to a periodical revision that is made necessary on account of the changes in technique and prices, must be incorporated into successive budgets linked to the period of realization of each programme. And this is one of the most efficient means of reducing the inflationnary pressures, by way of cutting down investments costs.

IV.

As long as the State limited its functions in undertaking the direction of large political and administrative services, and as long as, for that purpose the budget provided for immediately consumable financial means, it was admitted that the public accounts were limited to recording outlays and receipts. Such a notion is now out of date. The impact of the administration of public funds on the general level of economy is now so important, that the State must, above all things, make sure of the efficiency of public services, calculate their cost which must be cut thanks to a rational organisation, and make sure that the public accounts become a means of administration and measurement of the variations of national income.

The Budget ought to be a programme of public expenditure; and only the public accounts make it possible to bear a judgment on the administration of public finance.

Consequently, the Parliament and the public opinion ought to keep a larger control over the public accounts, which describe realized facts, than over provisions. Such is the traditional British practice.

In France, members of Parliament are not allowed to use their right of initiative so far as expenditure is concerned during the discussion of the Budget (Article 17 of the Constitution of 1946) and this tends to confer the financial responsability to the Government, provided that a severe control over the public accounts is effectively made.

The rapid production of the public accounts demands a discipline which in the first instance lies in the simplification of the context of the Budget. Provisions for working expenditures must be grouped by Departments. The number of budgetary head-lines must be considerably diminished in order to allow a greater freedom of action to the administration and to bring about a great simplification in the recording of accounting-matters.

Integration of the State Budget in the National Budget, and "Budget as a whole", as a substitute to the old rule of unity, reduction of budgetary speciality, the passing of programme laws for expenditure of materials, which are spread beyond one year periods, the working out of a patrimonial accounting and the rapid production of public accounts, responsability of civil servants, such are likely to be the essential basis of the budgetary reform which has been drafted in the French Constitution, in order to fit the idea of Budget to the multitude of tasks which are carried out by modern State.

REARMAMENT AND INFLATION

BY ANGELOS ANGELOPOULOS
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For some forty years the liberal economic system has been afflicted by persistent inflation that has upset price levels and shaken monetary stability in all countries. In France, the rise in prices between 1914 and 1950 worked out at an average of 15 per cent per annum. Between 1939 and 1951 the two strongest currencies — the dollar and the Swiss franc — lost, respectively, 46 per cent and 40 per cent of their purchasing power. In spite of the efforts of governments to eliminate it, inflation remains a chronic phenomenon of our times. As "The Economist" remarks, "all economic, and most political, discussions today are dominated by the spectre of inflation" 1).

What is the cause of this chronic inflation? Its principal origin is to be found in war and all the consequences that follow in its train. An excessive increase in military expenditure — the classical prelude to another war — always starts up inflationary pressures which become stronger as the armaments race proceeds.

Since the outbreak of hostilities in Korea we have been experiencing a new phase of inflation, whose amplitude is becoming disquieting. The new inflationary pressures, accompanied by a constantly rising price level, have their origin in the considerable increase that has taken place in military expenditure since 1949 2).

The following table shows the considerable increase in military expenditure which took place between 1949 and 1951, the expenditure being given both in absolute figures and as as a percentage of total expenditure:

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1) *The Economist,* June 23, 1951.

2) The problem of the financing of rearmament was discussed at the Congress of the *Institut International de Finances Publiques,* held at Lisbon from the 25th to the 27th September 1952, the relative General Report being presented to the Congress by Professor *Masoin.* It will also be recalled that the rearmament problem was the subject of a special number of this Review (*"Public Finance"),* prepared with the collaboration of a number of eminent economists. Professor *A. Piatier* drew up a report setting out the conclusions drawn by him from this examination of the problem.

Military Expenditure 3)

Countries	1949—50		1951—52	
	In million units of the national currency	As percentage of total expenditure	In million units of the national currency	As percentage of total expenditure
Belgium	6.7	8.5	12.5	16.0
Czechoslovakia .	8.6	9.7	10.4	6.3
Denmark	315	13.2	550	—
Finland	4.5	3.7	6.0	5.2
France	393	19.8	725	26.1
Greece	2,582	47.5	3,324	44.6
Hungary	1.2	12.9	4.1	13.9
Ireland	3.7	4.3	—	—
Italy	302	20.7	460	25.2
Netherlands . . .	672	15.9	1,500	28.2
Norway	366	13.2	553	20.6
Poland	1.8	10.3	3.7	7.1
Spain	6.3	38.0	6.8	35.6
Sweden	992	18.0	1,153	20.0
Switzerland . . .	478	30.8	720	40.0
Turkey	435	33.0	—	—
U.S.S.R.	79	19.2	96	21.2
United Kingdom .	745	21.2	1,490	34.0
Yugoslavia . . .	24	14.6	29	16.8

The greatest increases in absolute figures are those shown by France, the United Kingdom, Belgium, the Netherlands and Switzerland. As regards the ratio of military expenditure to total expenditure, Greece heads the list in 1951 with 44.6 per cent, followed by Switzerland (40 %), Spain (35.6 %), the United Kingdom (34 %), the Netherlands (28.2 %) and France (26.1 %).

A more exact idea of the extent of a country's military expenditure is conveyed by the percentage of national income that it absorbs. The following table, drawn up in December 1950, gives this percentage for the member countries of the O.E.E.C. for the years 1949 and 1951:

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3) Based on data contained in the United Nations' *Economic Survey of Europe in 1950*, pp. 136-137.

Military Expenditure as a percentage of National Income

Countries	1949 (percentages)	1951 (percentages)
Belgium	2.7	4.0
Denmark	1.9	3.2
France	6.7	8.5
Greece	7.1	7.6
Ireland	1.0	1.1
Italy	4.0	(7.3)
Netherlands	6.0	6.2
Norway	3.5	4.5
Portugal	2.4	2.9
Sweden	3.7	4.1
Switzerland	2.6	3.7
Turkey	4.4	5.2
United Kingdom	7.4	10.0
Total	5.8	7.5
Austria	1.3	1.2
Western Germany	5.6	9.3
Total O.E.E.C.	5.6	7.7

Thus, for the O.E.E.C. countries as a whole the proportion of national income devoted to military expenditure rose between 1949 and 1951 by, on the average, 37.5 per cent. Of all these countries it was the United Kingdom which in 1951 showed the highest proportion, viz. 10 % [4]), followed by France with 8.5 % and Greece with 7.6 %.

As national income statistics are not available for the countries of Eastern Europe, the *Economic Commission for Europe* has endeavoured to devise a common measure of the economic burden of defence expenditure. It does this by expressing the military expenditure of each country in terms of the man-years of industrial labour which such expenditure would buy in that country, the calculation consisting in dividing the military expenditure figure by the average wage of industrial workers. The following table shows the results arrived at by this method in the case of the fifteen countries named: [5])

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[4]) According to the *Economic Survey for 1950*, this proportion rose to 13.4 %.

[5]) United Nations' *Economic Survey of Europe in 1950*, p. 138.

Military Expenditure expressed in terms of Industrial Man-Years

Countries	Military expenditure in thousand man-years		Military expenditure in man-years per thousand inhabitants	
	1949	1951	1949	1951
Belgium	120	210	14	24
Czechoslovakia . . .	160	170	13	13
Denmark	50	75	12	17
France	1,600	2,200	38	51
Italy	950	1,350	21	29
Netherlands	250	475	25	46
Norway	55	70	17	21
Poland	275	450	11	18
Spain	550	600	22	21
Sweden	180	180	26	25
Switzerland	75	115	16	24
United Kingdom . .	2,300	4,200	46	82
Yugoslavia	475	575	30	35
Total for above countries	8,500	10,670	28	40
U.S.S.R.	8,400	10,200	42	49
United States . . .	4,700	11,400	31	74

A calculation such as that by which the figures in the above table are arrived at can indicate only broad orders of magnitude of the relative amount of productive resources devoted to armament. The table shows that in 1951 Europe, excluding the Soviet Union, devoted to military expenditure the equivalent of some 10 million industrial man-years, or about 25 per cent more than in 1949. The countries whose military expenditure in 1951 was above the European average per thousand inhabitants (40) were the United Kingdom (82), the United States (74), France (51), the U.S.S.R. (49) and the Netherlands (46).

The variation in the extent of the increases in military expenditure is seen to be still more striking in such figures as are available for the year 1952 (1952-53). As the figures are not known for all countries, we will attempt a comparison for four of them only: the United States, the United Kingdom, France and the Soviet Union:

1949 *Military Expenditure* 1952

	In million units of the national currency	Percentage		In million units of the national currency	Percentage	
		of total expenditure	of national income		of total expenditure	of national income
United States . .	17.1	40	6.6	60	63.7	17.6
United Kingdom .	741	22.3	6.5	1,548	36.5	10.0
France	377	29.4	5.8	1,269	36.0	12.0
U.S.S.R.	79	19	—	113.8	23.9	—

The conclusions that can be drawn from this comparison have only a very relative value, by reason of the difference that exists between the structure of the budget of a capitalist country and that of the budget of a communist country. Thus, the structure of the Soviet budget embraces practically the sum total of economic activity, which is not the case with the budgets of capitalist countries. Moreover, comparison is rendered extremely difficult by the absence of data with regard to the national income of the Soviet Union. Nevertheless, the above table, subject to certain reservations, does indicate the trend of military expenditure between 1949 and 1952.

Allowing for these difficulties, and subject to these reservations, an examination of the table suggests the following:

1. In terms of the respective national currencies, the increase in military expenditure is most marked in France (X 3.3) and in the United States (X 2.8). In the United Kingdom military expenditure doubled as between 1949 and 1952, while in the Soviet Union the increase did not exceed 44 per cent.

2. As regards the ratio of military expenditure to total expenditure, it is the United States which shows the highest percentage (63.7 %), a ratio which attestes the quasi military character of the American budget. France and Britain show approximately the same percentage (36 %). In view of the peculiar structure of the Soviet budget, the ratio of 23.9 % in this case has only a relative value for comparative purposes.

3. In the absence of national income figures for the Soviet Union, comparison with that country in terms of the ratio of military expenditure to national income is not possible [6]). If we have recourse to the above-mentioned method, as used by the Economic Commission for Europe, and express military expenditure in terms of industrial man-years per thousand inhabitants, we find that in 1951 the heaviest load was borne by the United Kingdom (82), followed by the United States (74),

4. Among the Western nations it was the United States which in 1952 devoted the largest share (17.6 %) of national income to expenditure on armaments; but, although in the case of France and the United Kingdom the ratio was respectively only 14 % and 10 %, the armaments burden is felt much more acutely in those countries than it is in the United States, owing to the fact that their per capita national income is lower. According to the calculations of the *Economic Co-operation Administration*, the

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[6]) Such data as is available regarding the national income of the Soviet Union is expressed in roubles "at 1926-27 values" or in the form of indices, which does not permit of comparison with expenditure in current roubles.

balance of per capita national income remaining for civil purposes — after allowing for military expenditure — works out in France at the equivalent of about $ 580 and in the United Kingdom at $ 700, whereas the amount at disposal per inhabitant of the United States is $ 1,840 7).

* * *

The general conclusion that may be drawn from all these comparisons is that the burden of military expenditure — which is constantly increasing as a result of the present international tension and of the technical progress in armaments production — weighs heavily on the economy of each country and gives rise to increasingly marked inflationary pressures. The question that demands an answer is whether this *inflationary trend,* which becomes more accentuated as time passes, will not develop into open inflation and ultimately bring about complete economic disintegration.

If a country is to be able to engage in heavy military expenditure without running the immediate risk of setting up very strong inflationary pressure, its income must increase to an extent sufficient to make good the loss entailed by this unproductive activity. Even so, this does not mean that all risk can be eliminated, but danger can be staved off for a time provided a system of direct control is applied in order to reduce excessive consumer demand. If, however, the increase in national income is not large enough to offset the military expenditure charges, the resultant inflationary pressure wil sooner or later develop into "open" or even "galloping" inflation, with all its unfortunate economic and social consequences.

This vital problem is discussed in the latest reports published by the *Economic Commission for Europe* and the *Organisation for European Economic Co-operation* (O.E.E.C.). The former has compiled a table in which "estimates of the increases in national product achieved by various countries in 1951 are compared with the increases which they would have needed if the real income available for expenditure on personal consumption and for investment at home and abroad were to be no lower than in the previous year" 8). This table is reproduced below:

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7) Twelfth Report to Congress of the *Economic Co-operation Administration* for the quarter ended March, 31, 1951, p. 3.

8) United Nations' Economic Survey of Europe in 1951, p. 106.

Proportionate Increases in Gross National Product

Countries	Required in 1951 if consumption and investment at home and abroad were to be kept stable	Actually achieved	
		1951	1950
	(In percentages)		
United Kingdom	5	2 to 2½	5
Denmark	4	1	8
Netherlands	3	3	8
France	3	6	2
Western Germany	3	11	13
Italy	0 to —1	6 to 7	—
Belgium	— ½	6	—
Norway	—2½	3	5
Sweden	—4	3	5

An examination of this table shows that:

1. In those countries whose resources were already being completely employed, production in 1951 was markedly less than in 1950. The United Kingdom and Denmark are in this category.

2. The countries which primarily benefited from the intensive production of armaments were Western Germany, Italy and Belgium, while it had adverse effects in the case of the United Kingdom and Denmark. In these last two countries the percentage increase in national income in 1951 was less than half that in the previous year.

In its latest report the O.E.E.C. remarks: "The problem of accommodating extra defence expenditure would, of course, be far less manageable if the national product failed to increase by as much as 5 per cent. If, in fact, it increased by only 4 per cent there would be little room for any increase in private consumption per head, after the claims of government expenditure had been met, and if the required increases in exports were to be achieved" 9). The preceding table shows, however, that in the case of a number of countries the increase in the national product was in fact less than 5 per cent in 1951; and it may perhaps be still smaller in succeeding years if the present state of international tension persists.

The most recent statistics — those for the year 1952 — show how the decline in production has been accentuated. They also indicate that in the years ahead the national resources of the Western nations will be subjected to an ever increasing strain if the armaments race continues.

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9) O.E.E.C.: *Financial Stability and the Fight against Inflation*, p. 26.

Industrial Production: Annual Increases [10]

Countries	Percentage change in relation to February of previous year	
	1951	1952
Belgium	+ 16	— 1
Denmark	+ 9	— 8
Finland	+ 13	+ 2
France	+ 10	+ 9
Western Germany	+ 35	+ 3
Greece	+ 30	+ 5
Italy	+ 21	+ 3
Netherlands	+ 14	— 1
Norway	+ 7	— 1
Sweden	+ 6	— 0
United Kingdom	+ 8	— 1

The preceding table shows that in most of the countries of Western Europe industrial production in February 1952 had declined sharply compared with the same month of 1951. On the other hand, in 1951, when the repercussions of rearmament were not as yet very considerable, these countries achieved an average increase of 10 per cent as compared with the year 1950. While in the case of five countries — Western Germany, Finland, France, Greece and Italy — production in 1952 did not fall below the 1951 level, the average increase shown by them in 1952 was only 4 per cent, as against an average increase of 20 per cent in 1951.

There was a further slowing down of economic activity in most countries of Western Europe in the second quarter of 1952. According to the latest *Economic Bulletin for Europa* industrial production was in general lower than in the corresponding period of the previous year, except in Western Germany and France. But even those two countries did not remain unaffected by the recession. "In Western Germany expansion has been at a lower rate, and in France there was a fall, for the first time since the war, between the first and the second quarter of the year. In the United Kingdom industrial production was come 5 per cent lower than in the corresponding period of 1951 and even somewhat below the level reached in 1950. In the smaller industrial countries the pattern was similar: industrial production either failed to rise or actually fell. Consumption was also generally lower."

Thus, Western Europe is at present passing through a period marked by strong inflationary pressures, and everything suggests that in the coming years its resources will be subjected to an increasingly severe test if the armaments race continues.

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[10] Bank for International Settlements, *22nd Report, 1951/52,* p. 64.

[11] United Nations, Geneva, November 1952, p. 3.

Let us now glance at the economic situation of the United States. Although in that country the increase in military expenditure has already resulted in a certain reduction in investment for civil purposes, the growth of production has thus far been sufficient to offset the new charges, so that the creation of unduly strong inflationary currents has been avoided. The following analysis of national expenditure during the period 1949-52 explains the maintenance of economic equilibrium:

United States: Gross National Expenditure
(in milliards of current dollars)

Period	Federal Government purchases of goods and services	Private consumption	Gross private domestic investment	Net foreign investment	State and municipalities	Total gross national prod'n
1949	25.5	180.2	33.0	0.5	18.1	257.3
1950	22.8	193.6	48.9	—2.3	19.7	282.6
1951	41.6	205.5	59.1	0.2	21.4	327.8
1952 (1st Qr.) *)	52.3	209.6	53.4	2.0	22.4	339.7

*) Adjusted for seasonal variations, calculated as an annual rate.

The fact that it has been possible for the American economy to continue to develop despite the large increase in expenditure on armaments was underlined by President Truman in his Midyear Economic Report, presented to Congress in July 1952. "During the last two years", said the President, "our total output, measured in 1951 prices, has risen from an annual rate of about 300 billion dollars in the second quarter of 1950 to almost 340 billion in the second quarter of 1952". The net consequence of this is plain (continued Mr. Truman). "It means that today, despite the expanded security programs, we are producing more for other purposes than we were two years ago." 12) Enlarging on these remarks, the President's Council of Economic Advisers assert that the present security programs do not go beyond what the American economy can bear and that defence expenditure could still be increased by a further 10 to 15 milliard dollars a year up to the end

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12) *The Midyear Economic Report of the President*, U.S. Govt. Printing Office, Washington, July 1952.

of 1953, as over that period annual national output was expected to increase by about 25 milliard dollars.

Notwithstanding the optimistic prognostications of President Truman and his economic advisers, we do not believe that the American economy will in fact — if the rearmament policy continues to be pursued — be able to escape the intensification of inflationary pressures. When the maximum possible increase in production has been achieved, a decline in production and a lowering of the standard of living will become inevitable. In this connection it may be noted that within about a month of the submission of his half-yearly report to Congress, President Truman himself was already (August 1952) considering the advisability of calling a special session of Congress in view of the rise in prices in the United States.

All the above statistics point to the danger of an inflation (particularly in Western Europe) whose pressure will increase in proportion as military expenditure increases. Even the military aid extended by the United States to the various countries will not avail to prevent a decline in production and the creation of an ever stronger inflationary pressure. "When military aid is given for the express purpose of enabling the recipient country to increase its rearmament expenditure, the additional spending (remarks the Report of the *Bank for International Settlements)* absorbs not only the foreign exchange which is the original form of the aid but also its domestic counterpart, there being then no resources left free for civilian investments (including the strengthening of monetary reserves) 13).

The present rearmament drive thus constitutes a most serious threat to monetyry stability and to economic and social progress. The countries of Western Europe are beginning to awaken to the danger, and are now reconsidering their armament programmes in order to see how they can avoid, on the one hand, the threat of inflation and, on the other, the serious repercussions that inflation might have as regards world peace.

Unless the world succeeds in effecting an appreciable reduction in military expenditure, and in creating conditions conducive to the elimination of the present international tension, the spectre of inflation will continue to haunt our century: inflation will establish itself in chronic form and will nullify all constructive endeavour.

Geneva, December 1952.

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13) B.I.S., *22nd Report* 1951/52, p. 62.

REARMEMENT ET INFLATION

PAR ANGELOS ANGELOPOULOS

RESUME

Depuis une quarantaine d'années, l'économie libérale est atteinte d'une inflation qui a bouleversé les niveaux des prix et ébranlé la stabilité monétaire de tous les pays. Malgré les efforts des gouvernements pour la combattre, l'inflation constitue un phénomène chronique de notre temps.

L'origine de cette évolution inflationniste doit être recherchée principalement dans la guerre et toutes les conséquences qu'elle entraîne. L'augmentation excessive des dépenses militaires déclenche toujours des pressions inflationnistes qui s'intensifient par la course aux armements.

Aujourd'hui, nous vivons, depuis les évènements de Corée, une nouvelle phase de l'inflation, dont l'ampleur devient inquiétante. L'augmentation considérable des dépenses militaires enregistrées depuis 1949 est à la base de ces nouvelles pressions inflationnistes. En effet, la part du revenu national affectée aux dépenses militaires représente pour tous les pays de l'O.E.C.E. en 1951 une augmentation moyenne de 37,5 % par rapport à 1949 et constitue le 8 % du total du revenu national. En 1952, les dépenses militaires par rapport à l'année 1949 sont 3,3 fois supérieures en France, 2,8 % fois aux Etats-Unis et 2 fois au Royaume-Uni. Pour l'année 1953, tout laisse supposer une nouvelle augmentation des charges militaires.

Quelles seront, pour le proche avenir, les répercussions de ce réarmement? Pour qu'un pays puisse entreprendre de grandes dépenses militaires sans courir un danger immédiat de fortes pressions inflationnistes, il faudrait que son revenu augmente suffisamment pour compenser l'appauvrissement entraîné par cette politique improductive. Si l'accroissement du revenu national ne suffit pas pour absorber les charges des dépenses militaires supplémentaires, la pression inflationniste conduit, en fin de compte, à une inflation „déclarée", avec toutes ses conséquences économique et sociales. Dans son dernier rapport l'O.E.C.E. remarque qu'il serait difficile de faire face au surcroît de dépenses consacrées à la défense, si le produit national n'augmentait pas d'au moins 5 % par an. Dans son *Survey* de 1951, la Commission économique pour l'Europe a souligné également le danger d'inflation qui provient d'un réarmement excessif aboutissant à une diminution de la production.

S'il est vrai que pour l'instant les Etats-Unis sont parvenus à

compenser les nouvelles charges d'armement par une plus forte augmentation de leur production, par contre les pays de l'Europe occidentale subissent déjà une pression inflationniste très grave et accusent une régression sensible dans leur production. Selon les statistiques les plus récentes consernant l'année 1952, la production industrielle de la plupart des pays de l'Europe occidentale a subi une brusque diminution. Tandis qu'en 1951 — alors que les répercussions du réarmement n'étaient pas encore importantes — ces pays présentaient une augmentation moyenne de plus de 10 % par rapport à 1950, par contre en 1952 cette augmentation moyenne ne dépasse que de 1 à 2 % le niveau de 1951, alors que dans certains pays on observe une diminution sensible. Or, l'Europe occidentale traverse maintenant une période de fortes pressions inflationnistes et tout laisse prévoir que pour les années à venir, ses ressources seront mises à une épreuve toujours plus rude, si la course aux armements se poursuit. Par conséquent, le danger le plus grave pour la stabilité monétaire et pour le progrès économique et social provient de l'évolution actuelle du réarmement.

Si le monde n'arrive pas à réaliser une réduction sensible des dépenses militaires et à créer des conditions propres à éliminer la tension internationale actuelle, le spectre de l'inflation continuera à dominer notre siècle et l'inflation s'installera à l'état chronique et minera tous les efforts constructifs.

DAS BUDGET
UND SEINE DARSTELLUNGSFORMEN
EINE EINFUHRUNG

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ZUR TERMINOLOGIE UND ZUR GESCHICHTE.

Die kommenden Ausgaben und Einnahmen des Staates, resp. seiner Länder (auch der Provinzen, Kreise, Städte, Gemeinden usw.), jährlich und vorherig in das Gleichgewicht gebracht, von der Exekutive (Regierung; Verwaltung) entworfen, von der Legislative (Parlament: Bundestag, Landtag usw.) öffentlich beraten und beschlossen, also vorherig bewilligt, werden *Budgetplan* genannt. Dem *vorherigen Plan* entspricht die *nachherige Rechnung.*

Vor dem Budgetplan liegen Vorstadien des Budget-Lebenslaufes, jenes der verwaltungsinternen Haushaltsplan-*Entwürfe,* und das des Haushaltsplan-*Voranschlages;* dieser wird dem Parlament vorgelegt. Den Werdeperioden des Planes entsprechen Auslaufperioden: die Abschlusszeit der Rechnung (Kontinuationsperiode), die Auslaufperiode für die Prüfung, weiter das Endstadium der politischen Kontrolle: die Enlastung der Exekutive durch die Legislative (Decharge). Die Endstadien sind zumeist mit einem Rektifikationsbeschluss oder -Budget (Ausgleich zwischen Rechnung und ursprünglichem Plan) verknüpft. Im laufenden Budget also zwischen Plan und Rechnung liegen etwaige Nachtragsbewilligungen (Nachtragsbudgets).

Das Budget ist also gestaltlich eine vorherig gewollte Ausgaben-Einnahmenmasse, die über ein Jahr hinwegfliesst und von diesem beeinflusst wird. Früher nannte man das Budget gelegentlich eine juristische Persönlichkeit. Technisch ist das Budget ein mit beginnendem Budgetjahr eröffnetes Hauptbuch, in das an diesem Stichtag alle beabsichtigten Ausgaben und erwarteten Einnahmen nicht nur pauschal sondern bis ins einzelne vorherig eingetragen sein sollen. Diese „Soll“-Ziffern werden im demokratisch-konstitutionellen Staat durch politisches Wollen gebunden (Parlamentsbeschluss; Budgetgesetz). Mit dem letzten Tage des Budgetjahres zeigt sich durch die Abrechnung des Planes das von den wirklichen Geschehenissen geformte Resultat, das reale „Ist“. Er wird so das vorher fixierte Wollen mit dem Erreichten verglichen.

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* „Das Budget“ Verlag J. C. B. Mohr-Tübingen; 1.Bd Die Budgetkontrolle, 1948. VI 586; 2.Bd. Das Budgetwesen, 1951. IV 491; 3.Bd. Inhalts-, Namen- und Sachverzeichnis, 1951, XIX 204.

Neben dem internationalen Begriff „Budget" und dem deutschen „Haushalt", haben sich viele entsprechende Bezeichnungen eingebürgert, so z.B. azienda; bilancio dello stato; estimates; état; presepuesto de estado; rijksbegroting; riksstat; usw. Ein Pleonasmus ist das zeitweise in Deutschland (Preussen) üblich gewesene „Haushaltsetat". Alle diese Begriffe werden zumeist wechselweise sowohl als Budget (Jahresbudget) wie als dessen Plan verstanden; Vor- und Nachstadien des Budgetlebenslaufes werden gelegentlich von dem einen Begriff eingeschlossen, oder durch andere gekennzeichnet.

Das Wort Budget führt, wie kaum anders zu erwarten, zur „Mutter aller Parlamente", dem house of commons von England. Der Budgetplan (dort: estimates) wird vom chancellor of the exchequer (Finanzminister) im house of commons noch heute aus einem alten, ledernen Portfeuille (suitcase) entnommen (sprachgeschichtlich: „bougette", die Ledertasche am Gürtel in mittelalterlichen Zeiten), sobald er seinen budget speech (Einbringungsrede zum Budgetvoranschlag) hält. Die dazu verteilte Unterlage (Ziffernübersicht) lautet: „Statement of receipt and expenditure as laid before the house by the chancellor of the exchequer when opening the budget". Im alten Frankreich (vor 1789) sprach man bei den vorbudgetären Zusammenstellungen vom „état du roi"; nach 1800 wird auch in Frankreich das Wort Budget üblich.

1. *Budget und Bilanz.*

Das Budget, weder dessen Plan noch die Rechnung, ist keine Bilanz. Die privatwirtschaftliche Bilanz ist *nachherig*. Ihr Zweck ist, festzustellen, wie die Einnahmen des abgelaufenen Jahres sich zu den Ausgaben verhalten haben, und ob sich die Aktiven oder die Passiven vergrössert haben, sie sucht als eine Erfolgsrechnung den Betriebsgewinn resp. ob das Vermögen gewachsen ist, was das Ziel privatwirtschaftlicher Arbeit ist. Das Budget dagegen beginnt *vorherig* mit im Gleichgewicht befindlichen Ausgaben und Einnahmen, die Rechnung stellt fest, ob jenes Gleichgewicht sich erhalten hat. Beim alten kameralistischen Budget wird nicht zwischen Betrieb und Vermögen unterschieden, bei den logismographischen Budgets wird trotz der Bilanzierungsmethoden dennoch Equilibrium oder Disequilibrium gegenüber dem Plan festgestellt.

Ein weiteres grundsätzlicher Unterschied ist, dass im demokratisch-konstitutionellen Staat das Budget (sowohl Plan als Rechnung) *öffentlich* ist und *alle* Posten zeigt. Die privatwirtschaftliche Bilanz wird dagegen nur in ihren Hauptzahlen und nur so weit öffentlich, als es das Gesetz bestimmt, und sie gestattet die *Bewertung* ihrer Objekte (Ueber- und Unterbewertung). Das Budget ist so ein staatsbürgerlich-öffentliches und vorheriges Hauptbuch, die Bilanz ist nur ein von privatwirtschaftlichem Interesse bedingter nachheriger Auszug aus einem abgeschlossenen Hauptbuch.

II. *Zentralkasse und Zentralrechnung.*

Immer wieder ist nach einem Ur-Budget gesucht worden; gelegentlich wurde gemeint es sei in früheren fürstlichen und anderen Zentralkassen und in deren Buchführung zu finden. Diese sind aber nur finanzielle Querschnitte durch eine wirtschaftende Zentralverwaltung. Auch wenn solche Kassenbücher durch Vorkalkulationen und durch terminisierte Abrechnung von Ausgaben und Einnahmen qualifiziert wurden, entbehren sie der wichtigsten budgetären Kriterien, meist sind sie nur Rechnungen fürstlicher und sonstiger Kassen und Haushalte (hier Haushalt als Wirtschaft verstanden).

Mitunter wurden die Ur-Budgets in den mittelalterlichen Urbarien, Rationarien usw. gesehen, so auch in den berühmten domesday book (1086) Wilhelms des Eroberes, des ersten Beherrscher Englands, oder in dem bedeutenden codex Mendoza aus der Maya-Zivilisation Mittel-Amerikas. Diese haben ihre Vorgänger im Zensus der römischen Kaiserzeit, und solche waren schon in Assyrien üblich. Es geht hier um Kataster und Register der Besitzverhältnisse und der Leistungspflichten. Die „Budgets" Julius Cäsar's, der Päpste, bei den Deutsch-Ordensrittern, aber auch schon früher z.B. bei den Griechen, sind Abschluss- und Uebergaberechnungen, auch Erbschaftsbilanzen, und ihre Intervallen bestimmen sich nicht aus budgetären Gründen.

Richtig ist dagegen, dass wir im achtzehnten Jahrhundert z.B. im Frankreich des ancien regime und in Old England budgetähnliche Zusammenstellungen finden, die den Ständen resp. dem Parlament vorgelegt wurden. Aber weder jene englichen Uebersichten noch das berühmte compte rendu Necker's sind vollständig, im besonderen auf der Kapitalseite fehlt wesentliches, vieles ist nettopostiert und wichtiges ist aus politischen Gründen verschwiegen oder konnte nicht beigebracht werden, weil die Quellen ausserhalb der Zentralmacht lagen.

III. *Die getrennten Quellen und ihr Zusammenfluss im Budget.*

Auch in den Zeiten absolutistischer Zentralgewalt standen wesentliche Teile der öffentlichen Einnahmen ausserhalb ihrer Kasse. Sogar von ihren eigenen Einnahmen aus Steuern, Abgaben und Vermögen fliessen nur restliche Ueberschüsse, oft Naturaleinnahmen oder diese in Geld umgewandelt, als Nettoeinnahme in die Zentralkasse. Ebenso verbleiben viele Ausgaben ausserhalb der

Zentralrechnung, weil sie auf örtliche Quellen angewiesen sind. Auch die allgemeine Verwaltung, die Justiz, das Militär usw. ernähren sich aus örtlichen Quellen. Aller Staatsdienst ist Diensthandel, vom Steuereinnehmer bis zum Offizier und Richter erscheinen die Posten nur als deren einmaligen Kaufsumme in der Zentralrechnung, im übrigen ernähren sich jene Staatsfunktionäre aus eigenen Einnahmen, die dem Einblick sich entziehende Differenz zwischen dem Brutto und Netto der Ausgaben sind also eigene Rechnung.

Noch wichtiger ist, dass ursprünglich die Steuern *ausserordentliche* Leistungen sind. Bei relativer Gewaltenteilung wollen die Stände dazu vorher gehört sein, sie bewilligen und verlangen gesonderte Kasse und Kontrolle. Dagegen berürht die laufende Staatsverwaltung diesen Kreis politischer Mitbestimmung nicht. Sie ist ausschliesslich Angelegenheit der herrschenden Macht. Die Ablehnung einer Steuer macht jene nicht aktionsunfähig. Es ist auch eine ausserordentliche Leistung, wenn Stände, Städte oder Einzelpersonen bei Kapitalgeschäften, z.B. bei Anleihen, die Bürgschaft übernehmen. Die herrschende Gewalt lebt „von ihrem eigenen", sie hat laufende Einnahmen, eigene Gerechtsame und eigenes Vermögen, sie führt ihre eigene Schatz- und Schuldenpolitik. Das ist die materielle Basis ihrer Macht.

Die termingebundenen Abschlüsse und Abrechnungen gehören bei den *ordentlichen* Ausgaben und Einnahmen wie deren verwaltungsmässige Kontrolle (Gegenzeichnung) zu den Ur-Elementen staatlicher und stadtstaatlicher Buch- und Rechnungsführung. Die *ausserordentlichen* Bewilligungen und Kapitalrechnungen führen dagegen ein finanzielles Eigenleben, oft erfolgt die Abrechnung erst mit dem erfüllten Zweck. Vorher leben diese Ausgaben und Einnahmen zumeist in besonderen Fonds, die an den Zweck gebunden werden (Appropriationsklausel); hier verknüpft sich die gesonderte Kassenführung mit der politischen Kontrolle durch die Stände.

Der Absolutismus strebt von der Macht seines eigenen Besitzes und seiner Einnahmen danach, alle Einnahmequellen sich einzuverleiben, zur freien Kreditschöpfung und zur selbständigen Verfügung für eigengewollte Zwecke, die Stände kämpfen um ihre politischen Rechte besonderer Bewilligung, sie erstreben Uebersicht und Kontrolle über alle Ausgaben und Einnahmen. Die Offenlegung auch aller Ausgaben und Einnahmen der Krone, die an Bewilligung gebundene Kreditwirtschaft, und deren Zusammenschmelzung zum vorherigen, jährlichen und pünktlichen Budget ist eine der zivilen Grosstaten des neunzehnten Jahrhunderts. Eines ihrer essentiellen Elemente ist die Kontrolle.

DIE POLITISCHE BASIS DES BUDGETWESENS.

Die Trennung zwischen Legislative und Exekutive, und die Vormacht der ersteren als bewilligende und gesetzgebende Gewalt, beruht auf der Gewaltenteilung des demokratisch-konstitutionellen Staates. Sie ist für Europa und in anderen Erdteilen zumeist eine revolutionäre Errungenschaft, die in der Mitbestimmung des gesamten Volkes (allgemeines, gleiches und geheimes Wahlrecht für alle erwachsenen Männer und Frauen), und darin gipfelt, dass die Legislative die Regierung bildet und beauftragt. In manchen Staaten ist diese Errungenschaft des neunzehnten Jahrhunderts zeitweise wieder verloren oder erst im zwanzigsten erreicht worden; auch in den jüngstvergangenen Jahrzehnten ist der reaktionäre Gewaltenmonismus wieder möglich geworden. Dieser unterscheidet sich von seinen älteren Formen dadurch, dass er die institutionellen Begriffe und Dekorativformen des demokratisch-konstitutionellen Staates — so auch die äusseren Attribute des Budgetwesens — nicht beseitigt sondern aushöhlt. Daher spricht man von Volksdemokratie und parlamentarischer Budgetbewilligung auch in jenen Staaten, wo das Volk beherrscht und das Budget auferlegt wird.

Die relative Gewaltenteilung ist wie der Gewaltenmonismus (Absolutismus) in der Geschichte aller Zeiten und Völker zu finden.

Die Vorläufer der heutigen demokratisch-konstitutionellen Parlamente sind ständische Vertretungen (Adel, Geistlichkeit, Bürger, Bauern), die wir im Zeitenverlaufe in wechselnder Mitbestimmungsmacht finden. Sie wurden die Quelle und die Kraft, die zur vollen Gewaltenteilung führten und so auch das moderne Budgetwesen mitschufen.

DAS BUDGETWESEN.

Das Budgetwesen (Haushaltswesen) in der heute geläufigen Gestaltung ist etwa hundertfünfzig Jahre alt. Seine Ausbildung wird von einigen Grundlinien beherrscht:

a) früher waren nicht alle Ausgaben und Einnahmen umfasst, nunmehriger Grundsatz ist die *Vollständigkeit* des Budgets;

b) Ausgaben und Einnahmen wurden früher nicht einander gegenübergestellt und ausgeglichen, nunmehriger Grundsatz ist das *Gleichgewicht* des Budgets;

c) die Ausgaben und Einnahmen waren nicht an das einzelne Jahr gebunden; nunmehriger Grundsatz ist das *einjährige Budget;*

d) zur Einjährigkeit gehört die *Pünktlichkeit* des Budgets;

e) Ausgaben und Einnahmen wurden nicht öffentlich und vorherig beraten und beschlossen (durch eine Legislative), nunmehriger Grundsatz ist die *Vorherigkeit* und *Oeffentlichkeit* des Budgets, und die *Bewilligung* an die Exekutive;

f) die Ausgaben und Einnahmen wurden nicht nach abgelaufener Jahresperiode öffentlich abgerechnet und der Legislative zur politischen *Kontrolle* und *Entlastung* vorgelegt; nunmehriger Grundsatz: politische *Budgetkontrolle* und *Decharge.*

Zu beachten ist, dass die Grundsätze des Budgetwesens nicht überall, trotz verfassungsmässiger Anerkennung, voll verwirklicht sind. Das gilt im besonderen hinsichtlich der Pünktlichkeit des Budgetlebenslaufes, aber auch in Bezug auf Vollständigkeit, Jährlichkeit — hier wirken nunmehr auch die Fragen des Konjunkturzyklus-Budget und der langjährigen Finanzpläne ein — Vorherigkeit und politischen Kontrolle. Die Entlastung ist in manchen Staaten nur eine technische Berichtigung der aus dem Gleichgewicht gekommenen Budgetrechnungen.

I. *Grundsätze und Forderungen.*

Die Grundsätze und Forderungen des Budgets, auch seine Wirkungen und Leistungen (Funktionen) sind nicht nur in ständiger Ausformung, sie haben auch gewechselt. Politischer Wille, Verwaltungserfahrung und Wissenschaft haben dabei gestaltend mitgewirkt. So sind heute gewisse Grundsätze des Budgetwesens theoretisch allgemein anerkannt, es hat sich auch deren Ordnung ausgebildet. Die Praxis des Budgetwesens ändert sich dagegen nicht nur durch die politische Willensbildung, sie spiegelt auch die soziologischen Veränderungen der Gesellschaft. So wurde versucht, das Budget zum Experimentalfeld und -stoff zu machen, durch das neue Staatlichkeit finanziell vergegenständlicht werden sollte. Das Budget ist aber nicht das Rohmaterial sondern der Zahlenspiegel der Staaten. Das Budget kann nur aussagen, wie staatliche Gestaltung gedacht ist, mit anderen Worten: Das Budget zeigt nur wer erhält und wem genommen wird, also was geplant ist und was geschieht.

II. *Die Darstellungsformen des Budgets.*

Die Darstellungsformen werden durch Zeitideen, ökonomische Verhältnisse und finanzielle Situationen bestimmt. So neigte man ursprünglich dazu, nach zumeist kurzen Perioden einheitlicher Ausgaben und Einnahmen, das Budget zweigeteilt darzustellen; es wurden „ordentliche" und „ausserordentliche" Ausgaben und Einnahmen unterschieden. Man sprach auch von Verwaltungs- und Kapitalbudget. Der Ausgangspunkt war, dass die Steuern die ordentlichen Ausgaben decken sollten, die Anleihen die Kapitalausgaben. Die Grenzlinien sind nur in der Theorie klar gezogen worden, in der Praxis wurden sie ständig aus wechselnden Gründen verwischt. Es ist versucht worden, zusätzliche Trennungsbegriffe zu schaffen, so „produktiv" und „unproduktiv". Aber wie sind Schuldendienst oder Rüstungsausgaben zu verstehen? Sind sie „ordentlich" und „produktiv", oder „ausserordentlich" und „unproduktiv"? Zuletzt werden die Darstellungen der Budgets immer wieder aus der finanziellen Leistungsfähigkeit und der politischen Situation bestimmt, aber von keiner „discussion d'école".

Später trennten sich gern die wirtschaftenden Unternehmen vom allgemeinen Budget. Es begann mit „kaufmännischer" Budgetführung und endete oft mit einer nur losen, letzten Verbindung zum allgemeinen Budget (Nettobudgetierung). Es entstanden Budgetanhänge. Auch ein besonderes Anleihebudget bildete sich in manchen Staaten aus. Fonds, Spezialrechnungen, Unternehmen usw. schieden sich vom allgemeinen Budget und bildeten sich zu einem besonderen „Vorfeld" der Budgets aus. Hierzu kamen die wachsenden oder traditionell vorhandenen eigenen Hilfsfisci, wie Kultusfiskus, Militärfiskus, Sozialfiskus, Ständefiskus (später in den diktatorialen Staaten auch der Parteifiskus), die bald nicht nur von eigenen Einnahmen und Ausgaben lebten sondern auch eigene Vermögen und selbständige Kapitalwirtschaft haben.

Die Darstellung der Kapitalwirtschaft war dem ursprünglich kameralistischen Budget fremd, es begnügte sich mit Schuldendarstellung. Dann wurden Staatsbesitz-Inventare ausgebildet. Die Logismographie übernahm von der privatwirtschaftlichen Bilanz die Trennung in Betrieb und Kapital, weiter Abschreibungen, Vermögensdarstellung einschliesslich der Bestände, Vorräte, Materalien und Besitz (so auch Museen, Artillerie und Kavalleriepferde) und stellte diesem die Staatsschulden gegenüber, um eine „Nettoverschuldung" des Staates zu entwickeln (Italien seit 1886; das faschistische Budgetwesen verwischte diese Darstellung).

So wurden aus der ursprünglich begrenzten Darstellung in einfacher Systematisierung komplizierte Budgetsysteme, die sich eigener Nomenklaturen und bestimmter Einteilungen bedienten. Man begann gewisse Normalgruppierungen auszubilden, die in ihren obersten Spitzen den einzelnen Ministerien entsprachen (Ministerialeinteilung) und in Abschnitte, Kapitel und Titel zerfielen („Normal-schema").

In der Gesamtgruppierung lässt sich eine „französisch-kontinentale" und eine „englisch-amerikanische" Darstellungsweise unterscheiden. Beide haben ihre Wurzeln im kameralistischen Budget; die eine spaltete das Budget in zwei Teile, das deutsche und andere auch in drei: „ordentliche laufende", „einmalige" und „ausserordentliche" Ausgaben und Einnahmen, die andere lehnte jede Unterscheidung ab. Erleichtert wurde das dort, wo die Defizite seltener waren und damit deren Deckung durch Kreditoperationen weniger dringend auftrat. Oft hat die „letzte" fehlende Million wesentliche Veränderungen der Budgetdarstellung erzeugt. Zuletzt ist die Darstellung des Budgets immer eine politische Entscheidung. Das hat auch die Bestrebungen nach zweckgebundener Ausgliederung von Ausgaben und Einnahmen aus dem allgemeinen Budget und dessen „Vorfeld" wesentlich mitbestimmt. Die budgetäre Einheit des Budgets komplizierte sich nicht nur, sie begann auch, sich aufzulösen.

Zusammengefasst kommt man für das neunzehnte Jahrhundert etwa zu dieser Synopsis der Darstellungsmethoden:

Aufteilung des Budgets:

1. „ordentliche" und „ausserordentliche" Ausgaben und Einnahmen, resp. Dreiteilung in „ordentliche laufende", „einmalige" und „ausserordentliche";
2. Verwaltungsbudget und wirtschaftende Unternehmen, Fonds (Budgetanhänge; Nettobudgetierung); Anleihebudgets, Schuldendarstellung;
3. A. und B. in Mischformen;
4. Einteilung nach dem Ministerialprinzip, Unterteilung in verschiedene Klassifierungs- und Stufungssysteme;
5. Ausgliederung von Spezialfisci, Fonds, Unternehmungen (mit „kaufmännischer" Buchführung und Bilanzierung), Ausbildung eines wirklichen „Vorfeldes" zum Budget;
6. Die Kapitaldarstellung wechselste vom einfachen Besitzinventar und der Schuldendarstellung bis zur Logismographie mit Verwaltungs-, resp. Betriebsbudget und Kapitalbudget und deren Hilfskonstruktionen, wie geldlose Umpostierung, aber auch Selbstkosten- und Rentabilitätsprinzipien, einschliesslich Abschreibungsmethoden und Staats-„Nettovermögen".

a. *Die grosse Wandlung der Darstellungsformen.*

Neben den Versuchen und Resultaten der Budgetdarstellungen des neunzehnten Jahrhunderts, auch in und zugleich mit ihnen, haben sich neue Tendenzen und Methoden ausgebildet, das ist wesentlich durch die beiden Weltkriege beeinflusst worden. Es ging nicht nur um quantitativ vermehrte Ausgaben und Einnahmen, obwohl bei den hastigen Veränderungen der Staatsaufgaben schon diese Darstellungsprobleme sich überstürzten, sondern auch um die Konsequenzen, die sich aus den neuen betriebswirtschaftlichen und kommerziellen, resp. kreditären Funktionen des Budgets ergaben. Die alten Darstellungsmethoden wurden vielfach gesprengt, resp. liessen sich nicht mehr mit den gewohnten technischen Hilfsmitteln ausweiten oder anpassen.

Das „Vorfeld" des Budgets mit seinen Pensions-, Sozial-, Kultus-, Stände- und Militärfisci und deren selbständigen finanziellen Strömen einschliesslich der Vermögenswirtschaft, die dem Budget gegenüber verselbständigten Fonds, Unternehmen, Vorratswirtschaften und Kreditschöpfungseinrichtungen, wuchs ständig weiter. Bald umfasste die Vorratsbildung nicht nur Waffen und Rohstoffe, sondern auch Nahrungsmittel. Im ersten Weltkrieg (1914—18) meinte man noch, dass sich alles bald wieder ,,im gewohnten Geleise" zurechtfinden werde. Schon in der Friedens-Zwischenzeit, dann aber entscheidend im zweiten Weltkrieg, ist das grundsätzlich anders geworden.

Bei den Kostenrechnungs-Versuchen und deren budgetärer Darstellung ging es weniger darum, die Ausgaben klarer zu klassifizieren, sondern um die Kostenkontrolle, um die ,,angemessenen" Preise für Aufrüstung und Vorratshaltung. England hatte hier bereits nach dem ersten Weltkriege beachtliche Versuche beim Militärbudget unternommen, war aber bei der budgetären Darstellung gescheitert. Es sollten die Selbstkosten jedes Regimentes festgestellt werden. Später sind die Systeme der ,,cost accounts" und des ,,cost distributions systems" doch erfolgreich ausgebildet und wirksam geworden.

Inzwischen war eine wirkliche Flucht aus dem Budget allgemein üblich geworden. Jede neuentstehende Staatsaufgabe versuchte, sich ausserhalb des allgemeinen Budgets ,,anzusiedeln". Wirtschaftsministerien wurden zu Industrie- und Kreditkonzernen und Rohstoffverwaltungen, Landwirtschaftsministerien erinnerten an des biblischen Josef's Getreideverwaltungsorganisation, planistische Staatsinstitutionen arbeiten gemischtwirtschaftlich und mit einzelnen Berufsständen. Dazu kamen ad hoc beschlossene Regulierungsaufgaben und Subventionen, die sich ebenfalls als selbständige Instutionen etablierten. Ihre Rückeinnahmen flossen nicht in das allgemeine Budget, ihre Vermögen wurden nach eigenen Grundsätzen verwaltet und bewegt. Dann folgte das ,,hinausgleiten" aus der jährlichen Budgetberatung, Bewilligung, Rechnungslegung und Kontrolle. Man entschlüpfte den Armen des Staates obwohl man von ihnen getragen wurde.

In dem einen Staat, so z.B. in den Vereinigten Staaten, wurde das zum Problem der government corporations, in dem anderen, so z.B. in Frankreich, zu dem der beim Trèsor selbständigen ,,comptes speciaux" und den ,,societés d'état". In England plagte man sich weiter mit der budgetären Darstellung ,,über" und ,,unter" der Linie. In Deutschland löste sich das Budget in ,,fliessende" Vollmachtswirtschaft auf. In der Sowjetunion wurden die Direktoren — die Manager — zur neuen Staatsmacht, die Ministerien bildeten sich zu Industriekonzernverwaltungen um.

So war das Budget auf der Ausgabenseite in drei Funktionen zerfallen: Staatsverwaltung, Vorratswirtschaft und Kapitalwirtschaft. Auf der Einnahmenseite entstanden neben den traditionellen Steuern und Anleihen neue, indirekte oder „freiwillige" Fiskalleistungen (Sammlungen usw.) auch Steuervorauszahlungen und Gewinnspeicherungen (mit Rückzahlungspflicht), aber auch „versteckte" Kreditschöpfungssysteme. Man nannte gern „Wunder" was nur Verschleierung war. Am weitesten ist die Sowjetunion in bisher unbekannte Methoden vorgestossen. Hier wird das alljährliche Defizit durch Zwangsanleihen gedeckt, was aber keine ausserordentliche Einnahme ist, sie wird „abgeschöpfte private Geldreserve" genannt.

Die Darstellung der Budgets ist diesen trendmässigen und strukturellen Veränderungen nur langsam gefolgt, mitunter fehlte auch der Wille.

b) *Die neue Budgetdarstellung.*

Ein starker Zug „Zurück zum Budget" wurde sichtbar und wirksam, ebenso das Bestreben, klarere und zeitgemässere Budgetgestaltung und Budgetsprache zu finden. Häufiger wurde das „ausserordentliche" Budget „abgeschafft", d.h. in das ordentliche eingebaut, aber ebensooft auch wieder neu errichtet. Das „Vorfeld" des Budgets wurde aufgelöst, also in das vorherige und jährliche Budget eingegliedert. Technisch sind dabei neue Darstellungsformen ausgebildet worden, so z.B. das „business type budget" (Vereinigte Staaten); Der Wiedereingliederung in die Haushaltskontrolle, sowohl in jene der Rechnungsprüfungsbehörde wie die der politischen Kontrolle bei Budgetplanung und Rechnungslegung, ist grosse Aufmerksamkeit gewidmet worden, mitunter durch besondere Gesetzgebung; so der government corporations control act in den Vereinigten Staaten und entsprechende neue Budgetpraxis in Frankreich, mit neuen Verbindungsgliedern zur Legislative, so die commission de verification; hier ausserdem durch einen besonderen cour de discipline budgétaire hinsichtlich der Verwaltung und der Beamten.

Neue Formen der Budgetdarstellung wurden ausgebildet. Das alte kameralistische Ministerialprinzip bei der Budgeteinteilung musste den Real- resp. Funktionsprinzipien weichen. Man stellte ein functional budget neben die alte Einteilung, so wieder die Vereinigten Staaten, und ihnen folgend eine Reihe anderer Staaten. So wurde die früher versuchte Budget-Kostendarstellung auf neuen Wegen und universal erreicht. Damit hängt die Ausbildung neuer Symbolisationen und Nomenklaturen zusammen, hier im besonderen mit beachtlichen Erfolgen die Schweiz.

Eine gewichtige Notwendigkeit kommt vom Nationalbudget (Nationaleinkommenbudget) her, das heute in vielen Staaten selbstverständlicher jährliche Beratungsgegenstand des Legislative ist. Hier wird die Einbettung des finanziellen Budgets in die nationalwirtschaftlichen jährlichen Ausgaben und Einnahmen notwendig, was besonders fruchtbar erscheint, weil damit die alte Vorstellung vom Staat, der nur nimmt, und weniger nehmen sollte, durch die Darstellung seiner Leistungen und deren Wirkungen auf das Nationaleinkommen erkenntniskritisch in das Gleichgewicht gebracht wird.

Es sind aber auch völlig neue Methoden der Budgetdarstellung vorgeschlagen worden. In England, das kein ,,ordentliches" und ,,ausserordentliches" Budget kennt, wurde versucht, eine Synthese zwischen der kameralistischen Darstellungsmethode und jener des modernen wirtschaftenden Budgets zu finden. (Siehe im bes.: Hicks, J.R.: The Problem of Budgetary Reform, Oxford 1948). Es wird nicht die ,,old-fashioned" Treasuryrechnung verlassen, und es wird eine Type der ,,administrative departments" beibehalten, daneben aber solle eine ,,capital account" geschaffen werden, die sich aus ,,trading departments" resp. ,,trading sections" der ,,administrative departments" zusammensetzt. Damit wäre die Kapitalwirtschaft, die bisher im englischen Budget ,,below the line" dargestellt wird, budgetär voll sichtbar, mit beibehaltendem ,,Vorfeld" der selbständigen Institutionen. In den Vereinigten Staaten hat der Hoover Report (commission on organization of the executive branch of the government. A report to the congress, february 1949) versucht, eine völlig neue Methode der Budgetdarstellung zu entwickeln, das sogenannte performance budget (Vollzugs-, Erfüllungs- resp. Leistungsbudget). Während bei dem englischen Versuch kommerziell gedacht wird, um die wirtschaftende Tätigkeit des Staates budgetär klar in Erscheinung treten zu lassen, ist der amerikanische Vorschlag vor allem betriebswirtschaftlich gemeint. Es soll für jede Verwaltung, gleich welcher Art und Form, eine wirtschaftliche Effektivitätsrechnung sichtbar werden, wirtschaftliche Leistung, also Kosten und Effekt, sollen bewilligt und abgerechnet werden.

Kommen wir zu einem neuen Versuch einer Synopsis der neueren Entwickelung, so ergibt sich etwa das folgende Bild:

1. Dreiteilung des Budgets:
   verwaltende, bewirtschaftende resp. wirtschaftende (vorratsbewirtschaftende) und Unternehmungs-Ausgaben und Einnahmen;

2. zuerst weitreichende Ausbildung eines budgetären ,,Vorfeldes", mit verschiedenen Ausgliederungsmethoden, seither intensive Eingliederungspraxis;

3. technische Dreiteilung in „ordentliche laufende", „einmalige" und „ausserordentliche" Ausgaben und Einnahmen;
4. Betriebs (Verwaltungs-) und Kapital- (Unternehmungs- und Fonds-) Budget,
   in einzelnen Fällen mit Gleichgewichtsdarstellungen, so das schwedische und andere skandinavische Budgets;
5. administrative und business type budget;
6. administrative und business resp. trading department-Budget;
7. Neue Formen der Kostenrechnungen und Budgetdarstellungen:
   a. functional budget,
   b. performance budget;
8. Eingliederung des finanziellen Budgets in das Nationaleinkommensbudget.

Von dieser Entwicklung sind das deutsche Bundesbudget und die deutschen Länderbudgets bisher nicht berührt worden. Sie führen ein altmodisch-kameralistisches Sonderdasein, wobei die bisher geringe Bedeutung der Anleihen das „ausserordentliche" Budget im alten Sinn noch nicht wieder wesentlich ausgebildet hat. Ein Teil der Kapitalausgaben ist unter den „einmaligen" Ausgaben zu finden. Die technische Darstellung beruht noch auf dem begrenzten Normalscheman des veralteten Budgetwesens.

III. *Schlussfolgerungen.*

Innerhalb der geschilderten Budgetgrundsätze, Leistungen und Funktionen bestehen weitere, die sowohl die Konstruktion betreffen (Brutto- oder Nettobudget; Kassen- oder Gebarungsbudget; einheitliches, zwei- oder dreigeteiltes Budget; Filialition (Gliederung) oder Globalisierung (Pauschalierung) des Planes und seiner Bewilligung (Plafondgesetz), wie die Ausbalancierung zwischen Legislative und Exekutive. So zeitweise oder dauernde, teilweise oder völlige Delegierung der Budgetgewalt an die Exekutive. Hierzu gehören auch die Konsequenzen des unpünktlich vorgelegten, nachherig bewilligten und verspätet abgerechneten Budgets. Im Budget ist die zeitliche und örtliche Uebertragung von bewilligten Krediten, (Resterechnungen und virements) von grosser Bedeutung. Zu allem kommen die Fragen der kameralistischen oder kaufmännischen Buchführung, der Kontenbildung und Kostenrechnung. Alle diese Fragen erscheinen von technischer Natur, sie sind aber oft von weittragender, auch politischer Bedeutung.

Im Hauptbuch des Staates registrieren sich nicht nur politische Ideen über die Zukunft und deren Gestaltung, wirtschaftliche Wechsellagen, weltwirtschaftlicher Trend, Kriegsrüstungen und Krieg, Frieden und Kriegsfolgelasten, sondern auch innere materielle und ideelle Umgestaltungen und politische Umwälzungen, und die soziologischen Veränderungen also das Denken, Wollen und Handeln. Die einzelnen Blätter des Budgets sind dabei keine fotografischen Aufnahmen, bei denen die in Ziffern ausgedrückten Absichten und Pläne der Regierung und des Parlamentes sich fortlaufend synchronisiert wiedergeben, wie die mit der Handling fortlaufenden Gespräche eines Tonfilmes auf der Leinwand, Zwischen den Tatsachen des Staates und ihren Ziffern im Budget steht kein elektromagnetisches und optisches System, sondern es ist der menschliche Wille in seiner politischen Gestaltung, in seiner Realität des Beamtentumes und der Regierung, der dem Staatsbürger die materiellen Fakten und deren Ziffern verständlich werden lässt, oder aus Nachlässigkeit und Gleichgültigkeit, es unterlässt, oder es aus bewusstem Willen vermeidet oder gar verhindert. Solche Kräfte können auch in der Legislative wirksam sein.

Budgetdarstellung ist schriftlich substanziierte politische Willensbildung, sie ist nicht nur eine Verwaltungsangelegenheit oder die der Wissenschaft. Die ursprünglichen Darstellungsformen des Budgets haben bedeutende Erkenntnisse geschaffen, die in ihrer klassischen Form überzeitlich sind. Auf dieser erworbenen Grundlage sind neue Gestaltungen des Budgetwesens erwachsen. So gilt es, nach zwei Weltkriegen und deren Veränderungen dazu gedrängt, die Budgetsprache unserer Zeit zu schaffen und sie allgemeinverständlich dem Staatsbürger vertraut zu machen. Die Tatsachen beweisen, dass entsprechende Darstellungsformen möglich sind, auch an Ideen und Vorschlägen fehlt es nicht. Das Problem ist in vielen Staaten entschlossen angepackt worden, Deutschland gehört bisher nicht zu ihnen, obwohl seine klassische Finanzwissenschaft einmal bedeutendes zu sagen hatte.

In einer Zeit, da die Budgets vergangener Jahrzehnte wie die Kassenbücher aus Liliput-Staaten wirken, ist es brennend notwendig, das Hauptbuch des Staates so zu gestalten, dass die in ihm finanziell ausgedrückten Ideen, Aufgaben und Leistungen für den Staatsbürger lesbar und keine Geheimsprache von Auguren sind. Möglichkeiten entsprechender Darstellung brauchen nicht mehr erfunden zu werden, sie sind sowohl als international vergleichbare Modellsammlung wie als praktisch ausgeprobte Methoden schon vorhanden. Aber der Wille zur klaren Darstellung des Haushaltplanes ist kein Geschenk des Himmels, er ist aus staatsbürgerlicher Erkenntnis sich gestaltende Forderung.

DIE HAUSHALTSRECHNUNG.

1. *Zur Terminologie und Geschichte*

Die Budgetrechnung umfasst die wirklichen Ausgaben und Einnahmen eines vergangenen Budgetjahres. Ihre Besonderheit ist, dass sie die „Ist"-Ausgaben und Einnahmen dem „Soll" des Voranschlages gegenüberstellt. Die Budgetrechnung ist also keine Bilanz. Die Budgetrechnung wird in einzelnen Staaten verschieden bezeichnet, was auch auf Sonderheiten — neben nationalen Gewohnheiten — hinweist. so z.B. engl.: appropriation account, budget account, final account, finance account, executed budget, treasury account; franz.: budget definitive, compte budgétaire, compte du budget; ital.: bilancio consuntivo; schwed.: budgetredovisning (Budgetabrechnung), riksbogslut (Reichsbuchabschluss); dän.: statsregnskab. Die Bezeichnungen sind zumeist aus historischen Prinzipien und unterschiedlichen Methoden der Rechnungsherstellung entstanden, diese wurden von Auseinandersetzungen zwischen den Gewalten politisch geformt, technisch sind sie wesentlich durch die nationaleigene Gestaltung des Verwaltungsvollzuges bestimmt.

Offenbar ist es ein grundsätzlicher Unterschied, auf welcher Stufe des Verwaltungs- resp, Budgetvollzuges sich die Rechnung technisch aufbaut, z.B. ob sie auf den Zahlen der obersten oder der untersten Stufe des Vollzuges beruht. Es geht hier in Wirklichkeit um zwei verschiedene Rechnungen: Die eine is die des Finanzministers mit seinen Pauschalüberweisungen an andere Verwaltungen, gemischt mit direkten Zahlungen, z.B. für die Staatsschuldendienst und für andere Zwecke, und der ihm resp, der Reichshauptkasse oder dem Schatzamt oder der Staatsbank wirklich zugeflossenen Einnahmen; die andere ist die Abrechnung der erfolgten Ausgaben und Einnahmen aller einzelner Kassen und Geldverwalter des gesamten Staates. Zwischen diesen beiden üblichen Budgetrechnungen liegen, „von oben" gesehen, noch schwebende Ausgaben und Einnahmen, „von unten" gesehen die Reste der noch zum Budgetjahr gehörigen, im Vollzug befindlichen Ausgaben und Einnahmen; hier kann es um quantitativ und qualitativ erhebliche Summen gehen. Es ist also zwischen Dispositionsrechnung und Vollzugsrechnung zu unterscheiden.

Lange ist man sich nicht darüber klar gewesen, ob die Budgetrechnung oder der Budgetplan älter sei. Bei dieser Frage ist vor allem zu beachten, dass bei historischen Vergleichen nicht die Budgetrechnung in ihrer heutigen Gestalt gesucht werden darf; sie existierte noch nicht. Das Rechnungswesen bestand ebenso aus von einander unabhängigen Teilen wie der Budgetplan. Der fürstliche, königliche oder kaiserliche Haushalt des Mittelalters „lebt von seinem Eigenen", er sammelt sich aus eigener Guts- und Besitzwirtschaft, aus Naturalien und Geldwirtschaft, resp. aus Brutto- und Nettoeinnahmen. Diese Abrechnungen sind hier, und aus sonst regelmässig laufenden Quellen, z.B. Lehn, Verpachtung usw., im allgemeinen immer an Termine gebunden gewesen, auch an mehrmalige innerhalb eines Jahres. Die Zäsuren waren die Ernte, hohe Feiertage usw.

Die lokalen Ausgaben wurden zumeist durch lokale Einnahmen gedeckt, nur das Netto floss in die Zentralklasse. Die lokale Abrechnung erfolgte zumeist oft und streng, soweit sie nicht aus besonderen Gründen anders behandelt wurde. Hier ist aber die periodische Abrechnung und der Jahreszyklus der Rechnung das übliche.

Die Abrechnung der zentralen Hofausgaben (Zentralrechnung) konnte nach dem Interesse der herrschenden Gewalt auch monatlich sein, ebenso jährlich oder auch mit dem Abgang des verantwortlichen Rechnungsführers. Bei den Päpsten, auch bei weltlichen Fürsten, kannte man die Todesfallabrechnungen, sie waren zumeist auch Vermögensrechnung resp. Erblasserrechnungen.

Bei den *ausserordentlichen* Ausgaben und Einnahmen beruht die Abrechnung auf anderen Voraussetzungen. Jene bedurften der zustimmenden Stände. Die ausserordentlichen Einnahmen flossen vielleicht in besondere Fonds. Die Abrechnungen liessen meist lange auf sich warten, zumeist bis der beschlossene Zweck erfüllt war oder keine Mittel mehr zuflossen. Hier setzte immer wieder der Kampf der Stände um Abrechnung und deren Kontrolle ein.

Die jährliche Rechnung im klassischen Budgetsinn, also die Abrechnung über *alle* ordentlichen und ausserordentlichen Ausgaben und Einnahmen, einschliesslich Vermögens- und Schuldenrechnung, hat sich erst im 19. Jahrhundert ausgebildet. Sie soll die „Rückseite" des Budgetplanes sein und spiegelt dessen budgetrechtliche und budgetpolitische Reife.

2. *Die politische Basis der Budgetrechnung*

Die Budgetrechnung in ihrer heutigen Gestalt und Jährlichkeit ist ebensosehr aus wirtschaftlichen, sozialen wie aus politischen Forderungen und Kämpfen geformt worden, wie der Budgetplan. Im demokratisch-konstitutionellen Staat ist die Budgetrechnung die finanzielle Unterlage für die politische Entlastung der dem Parlament verantwortlichen Regierung. In diktatorialen Staaten ist jährliche Budgetrechnung ebenfalls üblich, aber deren Entlastung wurde „entpolitisiert", d.h. die sogenannte Volksvertretung hat keinerlei Recht oder Macht, die für die Rechnung Verantwortlichen irgendwie zur Rechenschaft zu ziehen oder gar die Regierung zu stürzen. Der Gewaltenmonismus (Einparteistaat) ist omnipotent (allmächtig), auch hinsichtlich der Budgetrechnung.

Die *Jährlichkeit* der Budgetrechnung ist sehr dehnbar. Technisch gesehen sind die beiden Gegenpole das *Kassenjahr* und das *Zuständigkeitsjahr*. Früher war es üblich, aus der absolutistischen

Staatslehre und Praxis kommend, die Rechnung eines Budgetjahres erst abzuschliessen (und zu prüfen), nachdem alle für jenes Jahr geplanten Ausgaben vollzogen und erwarteten Einnahmen eingegangen waren. Das Jahresbudget wurde als finanzielles Eigenwesen (juristische Persönlichkeit) aufgefasst. Die Lebensdauer dieser Budgets — Budgetjahr plus Abschlusswartezeit — wurde exercise genannt. Das einzelne exercise konnte sich über Jahrzehnte erstrecken; so z.B. unter den französischen Sonnenkönigen über sechszig und mehr Jahre. Die englischen paymaster general des 17. und 18. Jahrh. rechneten die ihnen zugeteilten Fonds erst ab, nachdem alle Zahlungen und Leistungen erfüllt waren; bei einzelnen von ihnen rechneten erst die Erben ab, nachdem grosse Familienvermögen aus der Kapitalbewirtschaftung jener Mittel entstanden waren (so z.B. Lord Holland Fox der Ältere). Verkürzte Auslauffristen des Rechnungen wurde eine budgetpolitische Reformforderung aller Parlamente. Im kaiserlichen Deutschland dauerte es noch bis 1918 etwa 10-12 Jahre, bis die geprüfte Rechnung im Reichstag entlastet werden konnte. In Frankreich ging es his nach dem ersten Weltkrieg um noch längere Fristen. Andere Länder haben diese Frage dadurch politisch gelöst, dass sie vom *Zuständigkeitsbudget* und dessen Rechnung (compte d'exercise; bilancio di competenza) zur *Kassenrechnung* (compte de gestion; bilancio di cassa) übergingen. Hier schliesst die Budgetrechnung mit dem letzten Tage des ablaufenden Budgetjahres, alle noch im Vollzug „hängenden" Teile des Jahresbudgets werden „abgeschnitten". Ob sie dann verfallen, auf das neue Jahresbudget übergehen oder in diesem neu angefordert werden müssen, das sind budgetäre und auch politische Sonderfragen. (Frage der Restebehandlung, *Resterechnung)*.

Die *Kassenrechnung* entspricht den Forderungen und Bedürfnissen nach rascher und zuverlässiger Uebersicht der finanziellen Situation des Budgets. Sie ist aber nicht mit der oben erwähnten Rechnung auf der obersten Stufe des Budgetvollzuges identisch. Die überlangen Auslauffristen der Zuständigkeitsbudgets sind seither überall energisch verkürzt worden, sie existieren zumeist nur noch als sogenannte *Kontinuations- oder Zusatzperioden* (ein Monat oder einige wenige Monate). In dieser Zeit führen die einzelnen Verwaltungen die bei Budgetjahresende noch im Vollzug befindlichen Vorgänge zuende. In einzelnen Staaten sind für bestimmte Ausgabenreste verschiedenlange Auslauffristen zugelassen.

Die *Uebertragung* bestimmter Ausgabenreste unterliegt mitunter besonderen Regeln, so in Deutschland bei *einmaligen* und ausserordentlichen Ausgaben, deren entgültige Abrechnung bis auf drei Jahre ausgedehnt werden kann. Hier vermag die politische Kontrolle erst etwa nach fünf Jahren zu entlasten, was sachlich so gut wie wertlos ist und dann nur formale Bedeutung hat.

3. *Die Probleme der Budgetrechnung*

Neben der Frage, *wer* die Rechnung führen soll (Finanzministerium, eine eigene Instanz, die Nationalbank, die Rechnungsprüfungsbehörde) und von wem die Gegenrechnung, die aus der Visakontrolle entsteht, geführt wird, ist von entscheidender Bedeutung, ob die Rechnung alljährlich *pünktlich* abgeschlossen wird. Unpünktliche Rechnungsführung ist nicht davon abhängig, ob ein Staat demokratisch oder diktatorial regiert wird. Beispiele für unpünktliche Rechnungslegung sind sowohl Deutschland wie die Sowjetunion. Andere Länder legen ausserordentlich pünktlich und schnell Rechnung, so im besonderen England, die exchequer account am letzten Tage des Budgetjahres, nachm 16.00 Uhr, finance account 9 Monate nach Budgetjahresschluss. Die geprüften Rechnungen (also Rechnung mit Bericht der Rechnungsprüfungsbehörde) liegen jeweils 10-11 Monate nach Budgetjahresschluss dem Parlament zur politischen Kontrolle vor.

Im übrigen bietet die Budgetrechnung die gleichen Probleme wie seine „Vorderseite", der Budgetplan, so im besonderen hinsichtlich der Sichtbarmachung des Vermögens und der Schulden, hinsichtlich der dauernden Verpflichtungen (Vorbelastungen), der wirtschaftlichen Unternehmungen und der wirtschaftenden Verwaltungen (Fonds, Intitutionen), der Vorratsdarstellung, der allgemeinen Klarheit und nicht zuletzt der Darstellungsmethoden und ihrer buchungstechnischen Mittel. Während in einzelnen Staaten die Rechnung *funktionell* dargestellt wird und in Maschinen (Hollerith, Bourough) sich sammelt und aufgliedert, wird in anderen noch die kameralistische Ministerialeinteilung gepflegt und handgeschriebenen und dickleibigen Hauptbüchern wird der Vorzug gegeben.

THE BUDGET AND THE FORMS IN WHICH IT IS PRESENTED

BY Dr. K. HEINIG

SUMMARY

Budget terminology requires standardisation. The contents of the budget are often misunderstood. The budget is not a commercial balance-sheet. Historically, too, the budget is still often misunderstood. There has never been a prototype of the budget. In former times one only had to do with the central cash accounting. It was only in more recent times that the revenue of the absolutistic central government itself and the extraordinary votes of Parliament together formed the uniform budget. In fact, the modern budget is hardly 150 years old.

The forms in which the budget is presented are changing all the time. Two important periods in the life of the State made the budget what it is. The first period comprises the 19th century, the second lies between the two world wars. This development is still in progress. In the budget — the general ledger of the State — not only political ideas about the future are reflected, but also cyclical fluctuations. In addition, there are the big trends of armament expenditure before wars and of the expenditure that follows after wars. Moreover, the sociological changes in the nation make themselves felt in the budget. It is the human will in its political form that is shown in the budget of each State. The budget should therefore not be a secret language, but a reader for the nation. Clear terminology, publicity and accuracy are important requirements in this connection.

What applies to the budget plan is also important for the budget accounts. For the rest, the actual budget presents the same difficulties as its "front", the budget plan. It applies in particular to the clear presentation of the economic functions of the budget and to its capital aspect. It also applies to terminology and to publicity and accuracy.

LE BUDGET ET SES FORMES DE PRESENTATION

PAR K. HEINIG

RESUME

La terminologie du budget a besoin d'une systématisation. Le contenu du budget aussi donne souvent lieu à des malentendus. Le budget n'est point un bilan commercial. D'un point de vue historique le budget est également toujours mal compris. Un prototype du budget n'a jamais existé. Jadis il ne s'agissait que des comptes de la Caisse Centrale. Seulement dans les temps modernes les revenus du Gouvernement central absolu et les subventions extraordinaires consenties par le Parlement se joignent et constituent le budget uniforme. C'est ainsi que le budget moderne n'a pas encore 150 ans.

Les formes de présentation du budget présentent un mouvement continu. Deux périodes importantes de la vie de l'Etat ont conditionné la forme du budget. La première période comprend le 19e. siècle, la deuxième est encadrée par les deux guerres mondiales. Ce développement n'est pas encore terminé. Dans le budget — le grand livre de l'Etat — ne s'inscrivent pas seulement les idées politiques vis à vis de l'avenir. Les changements économiques conjoncturels s'y reflètent également. Les grandes lignes du „trend" des dépenses d'armement et les charges des conséquences d'une guerre s'y ajoutent. Et en plus, les changements sociologiques des peuples y marquent leur trace. C'est la volonté humaine dans sa forme politique que montre le budget de chaque Etat. Voilà pourquoi le budget ne devrait pas être une langue secrète, réservée aux augures, mais un livre soumis à l'agrément des citoyens. A cet égard une terminologie claire, une publicité et une ponctualité rigoureuse apparaisent de première importance.

Ce qui est valable pour le plan du budget, est valable également pour le compte du budget. Pour le reste le compte du budget offre exactement les mêmes problèmes que son revers: le plan du budget. Ceci s'avère vrai en particulier concernant l'établissement clair des fonctions économiques du budget et concernant son caractère de capital. Il est valable aussi pour la terminologie et la ponctualité.

THE PERFORMANCE BUDGET, WITH SPECIAL REFERENCE TO THAT OF THE CITY OF RICHMOND, VIRGINIA, U.S.A.

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§ 1 - *Nature of a performance budget*

One of the most important ideas in the field of budgeting which has been attracting attention in the U.S.A. in recent years is the performance budget. The idea is not new. Indeed, several states and towns in the U.S.A. have been putting it into practice for a number of years. Interest has come to be focussed on the performance budget, however, by reason of the fact that the Hoover Commission has strongly recommended that the U.S. Federal Government should adopt the method when compiling its own budget, also because the Bureau of the Budget, acting upon this recommendation, has decided to put the federal budget on a performance basis, introducing the system by stages. This, in turn, has acted as a stimulus for other, lower authorities to put their budgets on a performance basis too. The City of Richmond, Va., is an example in point.

The Hoover Commission defined the performance budget as follows:—

> a budget based upon functions, activities and projects...... which would focus attention upon the general character and relative importance of the work to be done, or upon the service to be rendered, rather than on the things to be acquired, such as personal services, supplies, equipment, and so on...... The all-important thing in budgeting is the work or the services to be accomplished, and what that work or service will cost.

We see from this that the performance budget comprises two elements:

1. less emphasis is laid on the means the government requires to fulfill its task (personal services, materials) and more on the work or services to be accomplished, that is to say, on the ultimate achievements of government activity;

2. an estimation must be made of the *cost* of the work or the services to be accomplished.

Estimation of the work or the services to be accomplished

The method applied in a performance budget for drawing up estimates can best be illustrated by giving an example. For this purpose we will take the case of the municipal refuse service. According to the traditional method of compiling the budget, estimates were drawn up of expenditure on personnel, upkeep of material, purchase of new equipment and so on. In the case of the performance budget, however, attention is focussed upon the service rendered. Thus the estimates for the refuse service should throw light on such matters as how often the garbage is going to be collected. This gives rise to such questions as how many cubic yards of garbage are to be collected and what will be the cost per cubic yard collected. It is in the interest of the tax-payer that the service the local authority is to perform, in this case the collection of household garbage, should be performed in an efficient manner and at the lowest possible cost. The information supplied by a performance budget provides him with an insight into these matters, whereas the mere detailed specification of expenditure on personnel and equipment does not.

Estimation of the costs

In drawing up a budget for any particular year, for instance for the year 1952, it is possible to ask a number of questions, viz.

a. what is the price of the goods and services to be *ordered* in 1952?
b. what is the price of the goods and services to be *delivered* in 1952?
c. what is the price of the goods and services to be *consumed* in 1952?
d. what is the price of the goods and services to be *paid for* in 1952?

One accordingly obtains an estimate of obligations, of accrued expenditure, of program costs or of cash disbursements, depending upon which of these questions is asked.

The method at present applied in drawing up the federal budget bears reference, as far as the appropriations are concerned, to obligations, while in the expenditurescolumn of the budget papers cash disbursements are shown.

The aim of a performance budget, however, is to enable a comparison to be made between the work or service to be accomplished on the one hand and the cost of that work or service on the other, and it is obvious that for this purpose program costs are more important than obligations or cash disbursements. It is true that for some items of expenditure, and especially those relating to personal services, the obligations, accrued expenditures, program costs and cash disbursements will largely correspond. These items can however, display a wide divergency, especially in the case of expenditure on materials, as a result of the difference between the size of existing stocks, current orders and the amount under the head "creditors" at the beginning and at the end of the fiscal year.

Therefore, one of the principal problems that require attention when introducing the performance budget is to discover methods which make it possible to provide figures for accrued expenditures (itself a big step in the right direction) and for program costs. To accomplish this it is necessary that the accounting system should be re-organized in such a manner that it is able to provide information of this kind. It should be borne in mind, however, that the figures for obligations and cash disbursements are also of great value, the former for indicating the maximum limit up to which the Executive can incur obligations, and the latter to enable economic analyses to be made, a matter especially important to the central government.

§ 2 - *Example of a performance budget*

The City of Richmond's budget provides a clear illustration of the method of compiling a performance budget, in which the emphasis is laid on the work or the services to be rendered. We select for example the Bureau of Refuse Collection in the Department of Public Works. The remarks devoted to this Bureau in the budget fall under three headings, viz.

- *a.* program and performance;
- *b.* appropriation ordinance text;
- *c.* financial statement.

The description of the *program and performance* is divided up into five sections, which correspond with the various services performed by the Bureau, viz. refuse collection, refuse disposal, street cleaning, live animal service and dead animal service.

Confining ourselves to refuse collection, we observe that the budget has to say the following on the subject: —

Refuse Collection

In the residential areas of the city, refuse will be collected weekly, and in approximately 75 % of the city, refuse collection will be twice a week. In all business areas, service will be twice a week and from certain large hotels, restaurants, hospitals, and apartment houses, service will be oftener by the Dempster-Dampster system of service.

The proposed work volumes and unit costs for the service are as follows: —

Service	Work Volume (Cu. Yd.)			Unit Cost		
	1948/49	1949/50	1950 51	1948,49	1949/50	1950/51
Total Refuse Collected	607,188	600,000	635,500	$ 1.04	$ 1.10	$ 1.10
Dampster Collections	65,225	80,000	80,000	.49	.54	.60

Similar information is provided in respect of the four other services, that is to say, there is first a brief description of the manner in which the service is performed, followed by figures for work volume and unit cost.

The *appropriation ordinance text* amounts to a short account of the text of the budget as determined by law. In the case in point, it reads as follows: —

For salaries, wages, and other expenses, including acquisition of equipment necessary for the conduct of the work program of the Bureau of Refuse Collection in the Department of Public Works, as set out in the General Fund Budget .... $ 1,059,195.

It is apparent from this that the legislative power grants a credit for the entire Bureau, giving the Executive a free hand within the limits of this credit. Actually the Executive's freedom of action is still greater, for Section 6.16 of the City of Richmond's Charter authorizes the City Manager to transfer unencumbered balances in any appropriation from one classification of expenditure to another in the same department.

This arrangement certainly provides a sharp contrast to budgetary procedure in the Netherlands, where the determination of appropriations shows a high degree of specification, transfers only being possible in a strictly limited number of cases. In introducing the budget for the fiscal year 1950/51, 1) Vice Mayor Robert A. Wilson (of Richmond, Va.) strongly rejected the idea of so rigidly detailed a budget. According to him "the net result would be to remove from the manager the power to supervise and allocate expenditures properly within the range allowed by the charter, thereby throttling administrative initiative and discretion and control".

The *financial statement* is made up of three specifications, in each of which comparative figures are provided for the coming, the current and the fiscal year just completed.

In the first specification, calculations are given of the total expenditure under the head concerned. For the coming fiscal year this total corresponds with the figure for the appropriation. The relevant figure for the other two fiscal years may be subject to adjustment as a result of additional appropriations and transfers to and from other heads of budgetary expenditure. Finally, as regards the fiscal year just completed, there will normally be an unexpended balance, which must be deducted from the amount of the appropriation in order to arrive at the actual expenditure.

The second specification gives a breakdown according to work programs, which breakdown shows what portion of the total amount of expenditure is destined for refuse collection, refuse disposal, street cleaning etc.

Finally, expenditures are specified according to character and object. This specification gives first of all the average number of permanent employees for the three years concerned and then a breakdown of the total expenditure accoording to personal services, supplies and materials, equipment, maintenance and replacement, etc.

§ 3 - *Summary*

Inquiring once again into the characteristic features of the performance budget and the advantages expected to be derived from it, we arrive at the following observations: —

1. far more emphasis is laid on functions and activities, on the final results of government activity than on the means the government requires in order to fulfill its task;

2. as far as possible, the relationship is shown between the amount of work performed and the cost of performing it;

3. the making of cost analyses per unit of work performed is stimulated;

4. study of the efficiency of government activity is facilitated by the making available of information regarding the volume of work and unit costs;

5. the performance budget will cause departments and services to be re-organized on functional lines;

6. as a result, complete or partial overlapping of work will come to light far more readily;

7. the legislative power's inquiry into the budget gains in significance, because, even with regard to the comparison with former fiscal years, the emphasis is laid on essentials and the attention is not occupied by matters of subsidiary importance.

It seems that in the few years during which the performance budget has been adopted in Richmond, it has already had remarkable results. In his introduction of the 1950/51 budget mentioned earlier on, Vice Mayor Wilson remarked that thanks to effective budget planning and control, "the government in these times of spiraling costs, when other governments are increasing tax burdens and incurring deficits or both, could conclude two fiscal years in succession with over a million dollars in surplus". According to Mr. Wilson, this successful result is largely due to the application of modern budgeting practices. He concluded his exposition by saying: "We should take pride in this demonstrated progress, not only because it enables us to operate our government more effectively but also because it is rapidly being recognized for its merit in this country and abroad".

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1) Published in the National Municipal Review, July 1951.

BOOKREVIEW/CRITIQUES

Dr L. H. J. Crijns: Tributs et la taxe sur les mines aux Pays-Bas (Retributies en het recht op de mijnen in Nederland), (Edition „Excelsior", La Haye 1951).

Depuis 1920 il est perçu, aux Pays-Bas, des exploitations minières une certaine somme par tonne de minéral extrait, à titre de taxe sur les mines. Caractériser, avec argument à l'appui, la nature de cette taxe et en tirer ensuite quelques conclusions pratiques a été le principal objectif de l'auteur.

Pour la bonne compréhension de cette taxe une idée claire du régime des mines est indispensable. Aussi la première partie de l'étude est-elle consacrée à la législation minière des Pays-Bas. L'auteur met d'abord ses lecteurs au courant des différents systèmes de cette législation. Puis il parcourt le droit romain, la législation minérale sous l'Ancien Régime, la loi du 28 juillet 1791 et la loi du 21 avril 1810. Par rapport à cette dernière loi, établie en France du temps de Napoléon et déclarée valable en droit plus tard aux Pays-Bas, où elle est aujourd'hui encore applicable en grandes lignes, l'auteur décrit le point de vue adopté par le gouvernement des Pays-Bas pour son application ainsi que les interprétations divergentes de différents auteurs.

L'auteur se range à l'opinion qu'en ce qui concerne les minéraux réservés, ce n'est pas le principe de la domanialité (les minéraux sont la propriété de l'Etat) qui est applicable aux Pays-Bas mais soit la doctrine de la res nullius (ni l'Etat ni le propriétaire foncier ne sont propriétaires des minéraux) soit celle de l'accession limitée (les propriétés du fond et de la surface ne sont pas séparées). La thèse que le dernier système nommé est applicable, jouit à son avis du plus grand crédit. Il est remarquable néanmoins que la conception qui veut qu'aux Pays-Bas les minéraux appartiennent à l'Etat est largement répandue. L'auteur attribue cela à l'influence des auteurs qui ont écrit un manuel de droit civil néerlandais (entre autres Völlmar, Hofmann, Asser-Scholten, Pitlo) et qui, bien que sans arguments concluants, défendent le principe de la domanialité.

Les considérations générales sur le régime des mines se terminent par un tour d'horizon dans l'histoire de la taxe sur les mines, en laissant entrevoir déjà en passant la nature de cette taxe. A mon avis il aurait valu mieux insérér cette conclusion comme introduction de la troisième partie de l'étude.

Afin de pouvoir démontrer que la taxe sur les mines est un tribut, l'auteur donne dans la seconde partie de l'étude des considérations détaillées sur les tributs en général. Il met d'abord à l'ordre la fonction des impôts, suivie d'un aperçu détaillé des conceptions en présence sur les impôts, les taxes spéciales, les contributions et les tributs. Puis il insiste sur la différence entre le tribut et les revenus provenant d'entreprises publiques et semi-publiques. Les opinions de beaucoup d'auteurs étrangers sont rassemblées dans des chapitres particuliers.

Le tribut est finalement défini par l'auteur comme „une contrepartie en argent ou en nature, perçue d'une économie privée en raison ou à cause d'une prestation de l'autorité comme telle par conséquent régie par le droit public, laquelle procure à cette économie un avantage individuel et direct". Dans certains passages de son livre (par exemple à la page 83) il est encore expressément ajouté à cette définition que la prestation de l'autorité doit être mensurable. Je doute que cela soit un élément essentiel du tribut.

Des tributs où la contrepartie est fournie en nature, je ne trouve pas d'exemple, ni des tributs non-fiscaux. Le problème du taux du tribut est traité en détail; suivant l'auteur, des facteurs moraux, économiques, sociaux, financiers, conjoncturels et autres jouent ici un rôle. L'auteur conclut par un exposé sur les tributs dans le droit positif néerlandais.

La troisième partie de l'ouvrage est consacrée plus spécialement à la taxe sur les mines. L'auteur discute en détail la notion de concession telle qu'on la conçoit en Allemagne, en France et aux Pays-Bas.

S'appuyant sur les considérations relatives à la théorie des tributs en général et à la législation minière des Pays-Bas, il en arrive à la conclusion qu'aux Pays-Bas la taxe sur les mines n'est ni une indemnité de droit privé pour les minéraux réservés dont l'Etat serait le propriétaire, ni un impôt au sens économique, mais qu'elle est un tribut payé en contrepartie de l'octroi d'une concession minière.

A cette conclusion l'auteur en rattache deux autres. Il est d'avis que la part que l'Etat Néerlandais prend dans le bénéfice de la Nederlandsche Aardolie Maatschappij avec un minimum de ƒ 1,— par tonne d'huile anhydre produite est également un tribut au sens économique, basé sur l'octroi de la concession minière. Il aurait été juste à son avis, si l'on avait construit cette part dans le droit positif néerlandais, non pas comme une indemnité de droit privé mais comme une taxe publique.

De plus il démontre que le prescription, en 1928, que l'impôt réel sur les exploitations perçu autrefois des mines par les communes minières, devait être porté en déduction de la taxe sur les mines, n'était pas juste.

Cette prescription s'appuyait sur l'argument que tant l'impôt que la taxe en question avaient le même objet, savoir une indemnité des frais supportés par les dites communes du fait que les mines se trouvaient dans leur territoire. On considérait tous deux comme des impôts tant au sens économique que juridique. Suivant l'auteur, ils n'avaient, cependant, ni la même base ni le même but. C'est que la taxe sur les mines n'est pas un impôt mais un tribut, du revenu duquel l'Etat peut disposer à son gré. En fait, l'autorité a décidé qu'il profiterait aux communes minières. L'impôt réel sur les exploitations, par contre, était destiné à couvrir des dépenses publiques, sans qu'il n'était pas juste qu'à partir de 1928 la taxe sur les mines fût portée en déduction de l'impôt en question. S'il avait été décidé, en 1928, que la taxe sur les mines ne serait pas payée aux communes minières mais à l'Etat, personne n'aurait pu faire objection plus tard à la coexistence de la taxe sur les mines et de l'impôt réel sur les exploitations.

Pour la même raison, selon l'auteur, la thèse que l'impôt sur les entreprises, qui en 1942 a remplacé l'impôt réel sur les exploitations, devait (doit) être compensé par la taxe sur les mines, ne peut être soutenue non plus. C'est à juste titre, selon lui, que cette compensation n'a pas eu lieu.

Etant donné que des cas analogues pourront se présenter dans l'avenir, il serait à recommander, à son avis, qu'il soit fait une distinction dans le ius constituendum entre les impôts d'une part et les tributs d'autre part.

Les conclusions ci-dessus n'empêchent d'ailleurs pas qu'à un moment donné le bien public peut imposer la suspension temporaire de la taxe sur les mines, comme cela a été le cas de 1924 à 1928, lorsque la rentabilité de l'industrie minière était compromise. En 1928 on aurait pu demander en vertu de cet argument-ci que la taxe fût portée en déduction de l'impôt réel sur les expoitations perçu de l'industrie minière.

Il faut louer comme un mérite de l'auteur d'avoir rassemblé et traité d'une façon claire et bien ordonnée les nombreuses opinions plus ou moins divergentes sur le régime des mines en vigueur aux Pays-Bas. Ses conclusions relatives à la taxe sur les mines appliquée aux Pays-Bas se fondent sur des bases solides. Une abondante quantité de littérature est citée.

Il y a lieu de se demander, toutefois, si l'auteur n'a pas trop prêté attention aux matières générales (114 pages au total) en comparaison de la discussion spéciale de la taxe sur les mines (38 pages seulement). Le lecteur a de la peine, parfois, à avoir toujours conscience de l'objet de l'ouvrage tel qu'il est contenu dans le titre. En outre, il est souvent assez difficile de retenir les grandes lignes de l'ouvrage, parce que les „traits d'union" si désirables entre les parties et, dans celles-ci, entre les chapitres font le plus souvent défaut. De même, dans cet ordre d'idées, l'interversion des considérations sur le régime des mines et la théorie des tributs, aurait été indubitablement une amélioration. D'ailleurs, en d'autres endroits aussi, l'ordre des matières traitées laisse quelquefois à désirer; ainsi la citation de l'article 626 du Code Civil néerlandais (l'ancien article 552 du Code Civil de Napoléon) faite à la page 43, manque à la page 32. Les très longs alinéas — par exception même de plus de 2 pages (par exemple pages 154—156) — fatiguent parfois le lecteur. Il aurait valu mieux mettre en renvoi l'énumération fréquente des suites plus ou moins longues d'auteurs que de les insérer dans le texte. De plus, par ci par là, un espacement après la discussion d'une partie formant un tout (par exemple après le quatrième alinéa de la page 44) aurait contribué à une atmosphère d'étude plus favorable. Quant à l'emploi du pluriel de la majesté, je n'y ai personnellement aucune objection, bien que, comme je l'ai constaté, quelques-uns en soient gênés. Que l'édition soit réalisée au stencil — ce qui fournit une économie de frais considérable — c'est à peine si l'on s'en rend compte à le lecture, grâce aussi à l'excellente présentation typographique.

C. H. ELBERS

De budgetcyclus in de openbare financiën van Nederland door Prof. Dr. O. Bakker, Lid van de Algemene Rekenkamer [1]).

Des actes de la vie financière d'un pays, le budget constitue incontestablement le plus important, car „synthèse des recettes et des dépenses publiques, non seulement il conditionne tous les problèmes des finances publiques, mais il comporte nécessairement les effets importants qui sont attachés aux phénomènes financiers dans tous les domaines de la vie nationale".

Aussi, le budget d'un pays nous donne-t-il une idée assez précise de son organisation, de ses institutions et même, comme nous venons de le dire, de toute sa vie nationale.

Le Professeur O. Bakker nous fournit dans son nouvel ouvrage, consacré au cycle budgétaire dans les finances publiques des Pays-Bas, les éléments d'une étude comparative des plus intéressantes. En

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1) N.V. Uitgeverij Van Stockum & Zoon, La Haye - Prix 6,50 fl.

effet, l'utilité d'un tel ouvrage n'est pas à démontrer [2]. Il suffira de rappeler le passage suivant de l'introduction aux „Annales des Finances Publiques comparées" (Ier volume, pages 8-9):

......„Partout les règles de gestion des ressources de l'Etat sont révisées, les pouvoirs financiers des assemblées remis en discussion, les principes de la comptabilité publique plus ou moins profondément modifiés. Aucun pays ne saurait négliger les leçons que fournissent dans ce domaine, les réformes réalisées à l'étranger. Il n'est point d'enquête sociale qui ait, à l'heure actuelle, plus d'utilité que celle-là et qui soit susceptible de procurer des renseignements plus précieux pour la conduite des gouvernements".

Une première constatation, s'impose à la lecture de cet ouvrage: ce livre donne bien plus que le titre ne laisse supposer. En effet, les deux premiers chapitres constituent une introduction sommaire à l'étude générale de l'économie et les trois chapitres suivants sont consacrés à des considérations générales sur l'organisation financière de l'Etat.

Ce n'est qu'au chapitre VI que commence l'étude proprement dite du cycle budgétaire aux Pays-Bas, par des considérations générales relatives au budget et aux différentes phases du cycle budgétaire.

La première phase que comporte ce cycle — l'élaboration du budget par le pouvoir exécutif — fait l'objet du chapitre VII. L'auteur y fournit des détails intéressants au sujet de la présentation du budget dans son pays. Ainsi, en ce qui concerne le principe essentiel de la spécialité, l'auteur signale que le budget des dépenses est divisé en chapitres et chaque chapitre en deux titres (titre A: service ordinaire; titre B: service extra-ordinaire); que chaque titre est subdivisé en sections et celles-ci en sous-sections, paragraphes et articles.

Cette dernière subdivision (l'article) est très importante, puisqu'en principe le gouvernement ne peut en dépasser le montant sans une nouvelle autorisation du Parlement; d'autre part, il est interdit au pouvoir exécutif de faire bénéficicr un article dont le crédit est épuisé, des montants qui resteraient inemployés sur un autre article. Aux Pays-Bas, comme en Belgique, les crédits sont donc limitatifs et les transferts sont interdits.

Cependant, l'auteur fait remarquer que, dans chaque chapitre, il existe un article pour les dépenses imprévues (des transferts

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2) En présence de l'existence de Benelux, l'ouvrage en question présente un intérêt particulier pour les spécialistes belges.

peuvent avoir lieu, mais uniquement sous des conditions bien déterminées) et qu'il est prévu, en outre, *tout* un chapitre pour les dépenses de cette nature.

Quant à la deuxième phase „Le budget devant le Parlement" (cf. chapitre VIII), il importe de souligner que l'article 127 de la Constitution des Pays-Bas oblige le Roi de déposer les projets des budgets à la Seconde Chambre — contrairement à ce qui se passe par exemple en Belgique où, depuis la révision constitutionnelle de 1921, le Gouvernement peut déposer indifféremment les dit projets devant l'une ou l'autre Chambre — et que, depuis le budget de l'exercice 1951 et sauf pour cinq chapitres d'importance relativement minime, l'examen préliminaire (c'est-à-dire avant l'examen en séance publique) des chapitres par la dite Chambre a été modifié: cet examen ne se fait plus par les sections de la Chambre, mais par les Commissions des budgets. Ces commissions sont au nombre de 12 et chacune d'elles est composée de 9 membres.

Le chapitre IX traite de l'exécution du budget (3e phase du cycle budgétaire). L'auteur y donne des indications relatives à l'exercice, à l'imputation des recettes et des dépenses, aux ordonnateurs (l'ordonnateur est le Ministre qui gère le chapitre compétent; cependant, le Ministre peut déléguer sa compétence en la matière, mais sous sa responsabilité personnelle), au Ministre des Finances (qui jouit d'une véritable prééminence financière), aux comptables (qui sont nommés par le Ministre compétent et qui sont, à condition d'être chargés d'une gestion autonome, justiciables de la Chambre des Comptes) et à la comptabilité de l'Etat.

Quant au contrôle des comptes, qui constitue la 4e phase du cycle budgétaire (cf. chapitre X), toutes les modalités du contrôle y sont passées en revue: contrôles interne et externe, contrôles préventif et répressif, contrôle sur la régularité et contrôle sur l'opportunité des opérations financières, contrôle sur pièces et contrôle sur place, contrôle au sein du pouvoir exécutif et contrôle au profit de la législature.

A cet égard, il y a lieu d'attirer l'attention sur l'existence, aux Pays-Bas, d'une commission permanente des dépenses de l'Etat. Le rôle de cette commission consiste à éclairer la Seconde Chambre au sujet de l'emploi des deniers publics; en outre, elle peut être considérée — dans un certain sens — comme un intermédiaire entre, d'une part, la Seconde Chambre et, d'autre part, la Chambre des Comptes, dont, par ailleurs, le statut, la mission et la compétence sont exposés brièvement au chapitre XI.

Comme en Belgique, l'existence de cet organisme supérieur de contrôle est prévue par la Constitution (article 186), mais sa composition et sa mission sont réglées par la loi ordinaire.

Dans cet ordre d'idées, il n'est pas sans intérêt de mentionner que les membres de cette Chambre — trois membres effectifs dont un a la qualité de président et 2 membres suppléants — sont nommés à vie, contrairement par exemple aux membres de la Cour des Comptes de Belgique dont le mandat doit être renouvelé tous les 6 ans. Il semble inutile d'insister sur les avantages que représente, au point de vue de l'indépendance des magistrats du dit Collège, la solution néérlandaise.

L'exposé relatif à l'exercice de sa mission de contrôle par la Chambre des Comptes et à la façon dont la coordination des différents contrôles a été réalisée, mérite spécialement l'attention.

L'étude de la cinquième et dernière phase du cycle budgétaire — l'établissement, par le pouvoir législatif, du compte contrôlé — fait l'objet du chapitre XII.

Il en résulte que le cycle budgétaire complet, lorsque bien entendu tous les délais impartis sont respectés, s'échelonne sur une période de 4 ans; que le compte de toutes les recettes de l'Etat est établi par le Ministre des Finances, tandis que ce sont les Ministres, chefs des départements, qui doivent établir les comptes des dépenses à charge des chapitres du budget dont ils ont la gestion. Toutefois, il incombe au Ministre des Finances de dégager des comptes qui lui sont transmis par ses collègues, le compte général et de transmettre ce document, avant le 1er juin de l'année qui suit la clôture de l'exercice, à la Chambre des Comptes en vue de son approbation par ce Collège. Après cette approbation, un projet de loi — afin de déterminer le solde du compte — est déposé. La loi, résultant de ce projet, donne décharge au pouvoir exécutif de sa gestion financière.

Il reste à souligner, qu'aux Pays-Bas un aperçu rétrospectif de cette gestion pendant les 10 dernières années est obtenu, grâce à une loi qui doit être votée en vertu de l'article 86 de la loi sur la comptabilité. Cependant, si la première loi prévue par cette disposition légale, c'est-à-dire celle relative à la période allant jusque et y compris 1938, a été promulguée, il n'en est pas de même de celle se rapportant à la période 1939-1948.

Enfin, le régime financier des organismes parastataux, des fonds autonomes et des exploitations de l'Etat, n'est pas perdu de vue par l'auteur: il en est question, cependant d'une manière assez brève, dans le XIIIe et dernier chapitre.

De ce compte rendu, nécessairement succint et dans lequel il est par conséquent impossible de faire ressortir toute la valeur scientifique de cette remarquable synthèse, il appert indubitablement que le livre du Professeur O. Bakker est extrêmement utile, si pas indispensable, à tous les fonctionnaires et candidats-fonctionnaires du secteur des finances publiques qui ont à coeur de se tenir au courant de l'évolution du droit budgétaire ou de se perfectionner dans leur spécialité. En outre, les étudiants des Universités et des Instituts Supérieurs, ainsi que tous ceux qui s'intéressent à la gestion financière de l'Etat, trouveront dans cet exposé clair et précis — illustré de tableaux empruntés aux budgets les plus récents — un guide sûr et pratique.

Pour terminer, nous tenons à exprimer à notre éminent collègue néérlandais, nos chaleureuses félicitations ainsi que nos sincères remerciements pour cette prestation remarquable et nous espérons que son ouvrage connaîtra, en Belgique, le succès mérité qu'il a déjà remporté aux Pays-Bas.

Prof. Dr. F. R. AMERIJCKX

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SOME PROBLEMS OF FINANCING DEVELOPMENT IN SIERRA LEONE, WEST AFRICA

BY N. A. COX-GEORGE

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Future economic historians may look back upon the problem of financing the development of underdeveloped areas as the largest single economic problem which faced our world in the second half of the 20th century. It is natural that when consideration is being given to that problem attention should be directed to Africa and to West Africa in particular. For, although there are problems common to underdeveloped areas treated generically, there are differences between the different types of areas themselves. The most fundamental difference *inter alia* between our colonial areas and the rest of the underdeveloped territories of the world is that of political dependence and just as political considerations of nationalism induce peculiarities in international commerce which necessitate a special corpus of principles in the field of international trade so does political dependence of itself introduce specific problems for Colonial underdeveloped territories necessitating especial study. And perhaps West Africa is today the most important colonial area.

In approaching these problems from the West African angle, there are several important considerations — not so obvious at first sight — which should give pride of place to Sierra Leone which is indeed a very small colony not of immediate spectacular importance. As a colony and not merely a military outpost it is Britain's oldest possession in West Africa. It was at times in the 19th century the centre from which the other West Africa Colonies were born. Moreover, it is unique in the sense that it was founded essentially on the principle of *development* as its objective. There were, no doubt, mixed motives in the establishment of the Settlement but it is clear beyond all doubt that there was behind it all some idea of *development* or as it was put in the jargon of the times of "the civilization of Africa". 1) It was contemplated that Sierra Leone was to be the base for springing up this development

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1) "The object for which the Sierra Leone Company is instituted is the establishment of a Trade with Africa on the true principles of commerce, carrying out British Manufactures and other articles of Traffick and bringing back African Produce in exchange...... if proper means are taken and prosecuted with diligence and perseverance, the continent of of Africa will furnish Commodities for the support of an extensive and increasing commerce, ... several means have occurred to the Directors for the prosecution of this great end.

and radiating it to the territories of West Africa. There is some truth in Mellor's claim that the idea of *British Imperial Trusteeship* at this time was *spiritual and immaterial* rather than physical. "Whatever might be thought of the propriety of an establishment like Sierra Leone", declared Lord Castlereagh in April 1811 "as it had for its object no less than the moral improvement of the coast of Africa, it becomes necessary to put it on as liberal a footing as the other colonies of His Majesty". 2) There is, however, clear evidence, at least in the case of Sierra Leone, of the idea of economic development and such development not only of Sierra Leone but indeed of West Africa springing from Sierra Leone. 3)

"An internal Trade by light vessels sailing up the rivers or by Communications with Caravans that may be drawn from the interior country is one great and obvious resource — A trade along the coasts by means of which a large quantity of scattered produce may be collected in their stores. — An increase of the exportable African produce is the basis on which the extension of Trade, proposed by the Act of Parliament, must ultimately rest...... it must be the leading object of the Company to turn their views to cultivation. The most effectual means of doing this is for the Company to set them an example by a spirited cultivation in their own district, and on their own account; and as there is reason to think the Company will in every way benefit in proportion to the Agricultural improvements which they shall be able to bring about in Sierra Leone, so as such cultivation should become general on the African coast, the trade to Great Britain will proportionately be increased, its manufactures extended and its interest as well as those of Africa promoted on the sound principles of a fair and reciprocal commerce.

Manuscript Order and Regulations from the Directors of the Sierra Leone Company to the Superintendent and Council of the Settlement (Cir. 1791) quoted in An Early Constitution of Sierra Leone by L.E.C. Evans in Sierra Leone Studies, pp. 43/5 Vol. XVIII, Nov. 1932.

2) House of Commons Minutes of Committee of Ways & Means 4/4/1811 in Hansard Vol. XIX p. 740. vide G. R. Mellor: British Imperial Trusteeship (1951) p. 425.

3) "Why may we not hope, ere long, to see Hans-Towns established on the coast of Africa as they were on the Baltic? It is said that Africans are idle, but they are not too idle at least to catch one another: seven hundred to one thousand tons of rice are annually bought of them; by the same rule, why should we not buy more? At Gambia one thousand of them are seen continually at work: why should not some more thousands be set to work in the same manner?..............................

That the continent of Africa, in its present state, furnishes several valuable articles of commerce highly important to the trade and manufactures of this kingdom and which are in great measure peculiar to that quarter of the globe; and that the soil and climate have been found, by experience, well adapted to the production of other articles, with which we are now either wholly, or in great part, supplied by foreign nations. That an intensive commerce with Africa is now carried on in slaves, so as at least to afford a return for the same quantity of goods as has annually been carried thither in British vessels. And lastly, that such a commerce might reasonably be expected to increase in proportion to the progress of civilization and improvement on that continent" — Wm. Wilberforce in Hansard Vol. XXVIII pp. 61 & 64. 2/12th May, 1789.

Also see Despatch No. 64 from Earl Bathurst to Governor Turner of 5th July 1825 Parliamentary Papers England 1830 (57) XXI p. 278 (54).

Even the manumission movement associated with the settlement of the colony was dominated by the idea of strictly economic development immanent in the plan for the establishment of the colony. For it was Mr. Granville Sharp's original idea that the slaves should repay their redemption price with interest at 10 % through indentured service. 4) How else could the settlers repay the price of their redemption with interest except by increased production, by development? In other words, the expenses of redemption were regarded as so much capital expenditure advanced for the development of the area of settlement and loaned to it at the rate of 10 %. It is true that in the post-proprietory government period (i.e. the period of *real* crown colony government following 1807) the idea of a commercial loan was superceded by the reality of Parliamentary grants-in-aid, but the idea of economic development creeping behind it all was never lost sight of confused as it appears to have been by an attenuated form of mercantilism. One can cite a lot of evidence on this theme but the above will suffice to show that the notion of economic development was, at least, implied in the conception of this colony. For this reason alone, if for no other, the economic history of this colony is worth following up in detail in order to discover how far the original objective of the founders has been achieved or not and the extent to which the experiences in the financing of the development of Sierra Leone are pregnant with lessons of development financing for the other West African territories and for colonial underdeveloped areas in general.

The present essay does not pretend to be any such comprehensive study. In the course of the last century and a half the territory has passed through several distinct phases of development and the scope of this paper could not possibly cover them all. The present study is confined to the last of these phases which may be said to begin with the second Colonial Development Act (1940). Even then it deals with only certain salient features of the general problem of development financing with which it is confronted. For the Act itself was a revolutionary idea in Colonial Policy *vis-a-vis* this West African Territory. Quite recently before the outbreak of the last World War government policy towards development was conceived of in a narrowly Adam Smithian sense. 5) As a

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4) Cf. Granville Sharp: A Short Sketch of Temporary Regulations (until Better shall be Proposed) For the Intended Settlement on the Grain Coast of Africa, Near Sierra Leone 2nd Edn. (Baldwin, London 1786) p. 28.

5) Vide Legislative Council Debates (Sierra Leone). Session 1932/3 pp. 5 & 39/40 & 117/9. This was in fact a restatement of the policy declared by Sir Hugh Clifford, Governor of the Gold Coast, in 1920, i.e. after World War I viz: "the development of resources of a Crown Colony should be left as far as possible, to private enterprise, which should not be stimulated by government subsidies, or any similar expedient; the task of the Admi-

result of the passage of the Colonial Development & Welfare Act (1941) an Outline Plan of Development [6] was published by the government which clearly stated the object of development to be *inter alia* "the increase in the material welfare of the colony" in contradistinction to the former notion of merely creating conditions favourable to private interests voluntarily increasing the *material welfare* of the territory. This in itself is most significant as indicating an acceptance by the government of responsibility for economic development.

Before dealing with the problems of financing proper it is necessary to look a little into the general economic background which as it were sets the problems of development for the territory.

Modern Sierra Leone may be said to begin around 1898 with the extension of British rule over the interior which is somewhat euphemistically termed the Protectorate. [7] Between 1896 and 1902 the first railway in West Africa had been effectively laid in this territory as one of the direct results of Joseph Chamberlain's Colonial Loans' Act and thus the forest products of the interior of the territory became accessible to external trade. Around this time also (1903) the industrial chemists of Europe developed the process of "hydrogenization" and thus gave a fillip to the demand for oilseeds which had been growing gradually throughout the century. [8] These factors in turn together helped to establish the position of the territory as an export-economy being largely dependent on palm products supplemented by other forest products. It was on these forest products that the prosperity of the colony was based right on to the middle years of the first post-world-war period. Even before the first world war the more systematic cultivation and production of the oil palm in Sumatra and the Congo was already causing much alarm to the West African colonial economies dependent on them [9] although the difficulties in the way of redressing the balance in efficiency were largely sociological and in Sierra Leone became effective only in the period under consideration here. [10] The discovery of rich deposits of minerals

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nistration, in this this connection, being to open up the country and to render its wealth accessible by means of public works." — quoted in Petition of National Congress of British West Africa (1920).

[6] Sierra Leone Government Sessional Paper No. 4 of 1946.

[7] Prior to that time the Colony was restricted to a strip of territory on the coast from which as was pointed out above it was hoped to effect the civilization of Africa.

[8] Cf. L. C. A. Knowles: The Economic Development of British Overseas Empire Vol. I. pp. 86/7.

[9] Cf. Sir F. M. Dyke: Report on the Oil Palm Industry.

[10] The Slater Administration 1924/28 planned to establish 13 model plantations but only one has been set up to date. The local government bodies or District Councils are now enlisting individual farmers' support

and the provision of a loan underwritten by the Government which the Colonial Development Act 1929 made possible led to systematic exploitation of mineral ores (chiefly iron, diamonds, chrome and gold) which relieved the dependence of this Colony on a single economic product. It should however be remembered that mineral exploitation introduced new problems which are significant in the context of development and to which brief attention will be given later on. Unlike the other West African Colonies — Gold Coast and Nigeria — up to this period (or more strictly speaking up to about 1929) this territory was a *free trade* area although it had developed a system of customs duties for merely revenue purposes since the days of proprietary government and this introduced peculiarities into the structure of its trade pattern which are important in the context of development in the sense that they affect the mechanism of development with the change of climate to a non-free trade, imperial preference atmosphere and the adjustments which that change of itself necessitates. The following table illustrates the growth of the external trade of the territory during this background period which (with certain qualifications) in the absence of estimates of National Income may be taken as a partial index of developments in the territory. It must be emphasized that it can only be a very rough indication as exportable surplus in a backward country can be a misleading guide in view of administrative and other economic developments within the country [11]).

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to replant their farms with improved varieties and the Governor in his opening address to the Legislative Council on 3rd Dec. 1952, said *inter alia* "The cultivation of improved varieties of oil-palms has been extended on an increased scale in all districts...... oil-palm planting has progressed very satisfactorily. The planting season finished in September, and up to the end of that month, some 200,000 seedlings have been planted out."

[11]) For example, the development of road and rail communications may open up new districts to international trade and so increase the exports of forest products collected without any direct increase of production at the same time. Or again a strict system of produce inspection may reduce exports even though production is increasing. Nor does exportable surplus which figure in trade returns take account of trade which take place between boundaries.

VOLUME OF DOMESTIC PRODUCE EXPORTED (000 TONS)

Goods	1891	1901	1911	1921	1929	1930	1938	1939-45 ave	1946	1947	1948	1949	1950
Palm Kernels	20	20	43	41	60	57	63.7	46.5	46.8	61.3	66.4	76.5	71.3
Palm Oil	289 gls	164 gls	726 gls	0.2	2.85	3.65	1.06	0.43	0.11	0.64	2.21	3.31	1.94
Kola Nuts	0.45	0.65	1.6	2.55	3.15	2.25	1.5	1.0	1.3	2.3	1.8	1.7	1.1
Ginger	0.3	0.6	1.7	0.55	1.55	1.95	2.7	1.6	1.0	1.5	1.3	1.4	2.3
Piassava	—	—	0.9	0.75	1.25	2.4	3.8	2.3	4.1	3.0	2.2	2.8	5.4
Groundnuts	—	—	—	—	—	—	—	—	—	0.024	0.89	2.5	3.5
Benniseed	—	—	—	—	—	—	0.37	0.2	0.13	—	0.4	0.3	0.8
Cocoa	—	—	—	—	—	—	0.38	0.48	0.58	0.44	1.4	0.7	1.6
Coffee	—	—	—	—	—	—	0.04	0.07	0.13	0.28	0.35	0.26	0.32
TOTAL	?	?	?	54.05	68.8	67.25	73.5	52.6	54.1	69.3	76.9	89.4	88.4

Table I

DOMESTIC PRODUCE EXPORTED IN VALUE TERMS (£ s)

Goods	1891	1901	1911	1921	1929	1930	1938	1939–45 ave.	1946	1947	1948	1949	1950
Palm Kernels	157000	162000	657000	711000	876000	665000	457031	381081	688840	1301742	1744591	2314038	2277752
Plam Oil	14000	10000	70000	8000	75000	79000	16025	5270	4449	30857	115958	186348	105411
Kola Nuts	43000	52000	194000	326000	266000	186000	29785	34922	105470	229099	166633	155216	106244
Ginger	5000	9000	45000	13000	59000	57000	60680	53533	51819	71258	73682	146790	563936
Piassava	n.a.	n.a.	13000	13000	17000	37000	40369	55655	236352	150315	88345	118744	273336
Groundnuts	—	—	—	—	—	—	—	—	—	506	26558	71639	100011
Benniseed	—	—	—	—	—	—	3700	1993	1999	55	11538	10728	33811
Cocoa	—	—	—	—	—	—	5849	8741	11653	16930	102941	65627	117212
Coffee	—	—	—	—	—	—	793	3319	7305	15137	19148	17165	39092
TOTAL	478000	304000	1300000	1664000	1532000	1216000	614232	544514	1107887	1815899	2349394	3086295	3616805

Table II

Sources { Produce & Trade of Sierra Leone H.M.S.O. E.M.B./T.P. 14
April 1931 & Economic Survey of Colonial Territories 1951
H.M.S.O. Col. No. 281-3 (1952).

In addition since 1929 minerals to the value exhibited in the following Table have been produced.

£ 252	1929
£ 6,113	1930
£ 30,815	1931
£ 71,567	1932
£ 178,368	1933
£ 376,612	1934
£ 905,000	1935
£ 1,249,696	1936
£ 1,666,102	1937
£ 1,684,240	1938
£ 1,744,576	1939
£ 1,621,609	1940
£ 1,798,402	1941
£ 1,534,197	1942
£ 1,452,999	1943
£ 1,152,620	1944
£ 1,368,925	1945
£ 1,514,309	1946
£ 2,080,477	1947
£ 1,901,718	1948
£ 2,256,261	1949

Table III

Source: Econ. Survey of Colonial Territories 1951 - Col. No. 281-3 (1952) H.M.S.O.

Between 1900 and now there has been a considerable expansion both in volume and in value of the export of produce which is still more spectacular if the output of mineral products is also taken into account. From time to time there have sprung up other produce crops — piassava fibre, ginger and coffee for example — which promise to reduce the heavy dependence of the economy on a single crop but these exhibit both a high demand and price elacticity as to render this promise somewhat illusory. The Unit value of ginger since 1938 has increased over 11.6 times but the quantity exported nearly 30 times. Piassava similarly has increased over 4.5 times in value and over 10 times in volume and cocoa nearly 5 times in value and nearly 350 times in volume whereas Palm Kernels increased over 4½ times in value but have only just recently exceeded the 1938 volume. The growth of minerals has almost matched in value that of palm product exports which in 1900 covered as much as 90 % and in 1928 about 70 % of the total exports. Mineral industries, it must be remarked, are extractive and the mineral reserves not being precisely known, that fact renders the future of the economy all the more uncertain if capital is not being generated sufficiently within the colony to at least replace that lost to it through mineral extraction.

Besides these broad general facts, there are certain important features of this export economy which should not be lost sight of in the context of development. Before the first world war the bulk of the export trade was to non-Empire countries mainly to Germany supplemented by the U.S.A. and Holland. On the pre-1914 quinquennial average only 19 % of its export went to the United Kingdom [12]). At the same time although Great Britain was the chief supplier of her imports the share taken up from that source before the first world war was already showing a regular annual decline especially when correction is made for the imports of currency and bullion from that source. After the war, with the revival of German trade after the troubles of 1923, Germany began to recapture the export trade of this Colony, its share rising from 1 % in 1924 to 9 % (1925) 27 % (1926) 37 % (1927) and 40 % (1928) while the British share declined from 41 % (1926) to 29 % in 1928. What is more Germany (in peace-time) consumed the bulk of the most important products of the territory. Thus in 1929 49 % of its palm kernels went to Germany whereas only 36 % went to the United Kingdom. 59 % of its piassava and 7 % of the ginger produce went to Germany and 63 % of the ginger and 12 % of the piassava found their way to the U.S.A., Britain taking 25 %

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2) It being 28% (1905-09); 33% (1900-04); 44% (1895-99) and 45% (1891-94).

of the ginger and 23 % of the piassava. Equally so in 1938 nearly all the iron ore produced went to Germany.[3]) These characteristics about the structure of the economy are of fundamental importance to its development since it is clear that in the two world wars with the sudden and complete barring of the doors of its best customer the colony is brought face to face with an export slump and a period of uneasy adjustment both of its trade and its finances which are almost entirely dependent on that trade. Such a position is aggravated the more by the necessity to conserve shipping space with the remainder of its customers. This is clearly borne out in the volumetric figures given in Table I *supra* where it is shown that up to 1947 the level of 1938 exports had not yet been reached. It is, of course true that the strerling area's rational direction and control of trade in this period as a result of its balance of payments difficulties may have contributed to this position. That is a very partial explanation although for this colony it has peculiar significance in view of the fact, as shown above, that its trade path lay towards Germany and the U.S.A. rather than Britain in a free trade world. It is also a characteristic both of the war inspired export slumps and the *normal* cyclical depression that the balance of trade turns against the colony. This is primarily a commercial phenomena but it is a good deal stimulated by the behaviour of a 100% sterling exchange currency system on which the colony has been since before the first World War.[4]) In war-time particularly although imports overtake exports yet for obvious reasons it is at a lower level but owing to increased activity largely connected with defence activities and the enhanced importance of the entrepôt trade of the excellent natural port of this Colony, there is an increased flow of money and consequent inflation which hits everybody so much, but most of all the primary producer whose dependent trade has slumped.[5]) The loss of its external markets and the necessity to economise shipping space for what was left implied a trade slump and naturally with a persistence of the emergency a structural readjustment in the pattern of productive activities in the country. Bearing in mind the perverse elasticity of supply characteristic of primary producing economies in a depression, it is quite likely that the real quantities — making allowances for long storage and consequent deterioration in store of goods produced and for losses due to enemy action — did not immediately decline but did so only subsequently. The necessary structural readjustment must have been aggravated by the physical and psychological effects of difficulties of transport at the time since the excessive military demands for transport at the time — particularly on the railway with its outmoted rolling stock and on the roads too — was such as to leave a general spectacle of local foodstuffs and produce being left to deteriorate on the up country stations. On this *natural* situation a war-time boom was superimposed, based on the rather feverish entrepôt trade, the growth of populations through the active use of the Colony as an outpost of fighting services and the construction of war works such as temporary barracks and other defence works and so on. With the absolute decline in imports and production now relatively intensified, an inflationary wave was set up. The factors involved here were the decline in consumers goods and the increased flow of money due to the growth of population on the one hand, and the increased employment on the other hand. There is also the likelihood of increased flow of "bank money" because of the increased activity on building and other military and war contracts. This was rendered all the more easy because of the likelihood of refugee capital having flown from Great Britain and possibly France to the relatively safe West African territories, safe in the sense at any rate of being beyond the immediate reach of direct bombing.6) A rather primitive form of price control was instituted early in the war but was a complete failure as was that in the Gold Coast.7) Other war-time expedients adopted to meet the inflationary situation were propaganda and savings campaigns — with a whole week each year given up to the latter — and the institution of a scheme of cost of living bonuses.8) The first was awarded in 1940 at a rate of 25% of salary or wages for the lowest brackets of income-earners and nothing above. This was subsequently revised in November 1943 and again in June 1945 and the coverage extended over all income-earners. The significance of these bonuses was that although they were supposed to bring relief to a supposed small class of civil servants, yet they ultimately proved

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[3]) In view of the marketing arrangements established since the war it is difficult to know exactly what has happened since exports to these countries will now figure as re-exports of the U.K. rather than exports from Sierra Leone. Earlier the Produce Marketing Board sold all the produce to the British Ministry of Supplies which resold part of it to non-British buyers. Now by a system of contracts a fraction (although the bulk) of the annual supply is sold direct to the Ministry of Food in Britain.

[4]) See Mars & Co: Mining Commerce & Finance in Nigeria (1948) Chapter II.

[5]) This fact is not given sufficient cognizance by the government which still emphasizes that the bulk of the peasants are dependent on "subsistence production on farming" as if, were this true, people are all *bellies.*

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6) Subject of course to the Exchange Control arrangements of these Metropolitan countries. For Britain the scale of flight away from Great Britain could not have been very great after Dunkirk in 1940.

7) See Report of Conway Commission of Enquiry into the Distribution & Prices of Essential Imported Goods (Govt. Printer, Accra, 1943).

8) There was also imposed higher rates of customs duty and surtax which, though aiming primarily at revenue, might have contributed in some small way to continuing inflation. Note that although trade declined customs revenue actually rose.

to be of significance in accellerating the inflation for each award was but the harbinger of demands all along the line of workers for similar bonuses and in the state of loose price control of merchandise it was always the amber-light signal for prices to be sent up by the group of extra-territorial firms (more correctly for pressure to be exerted by them on the local price-control advisory committee to allow increase of prices on controlled goods and for those on uncontrolled goods to be sent up). [9]) It is impossible within the compass of this article to give a detailed picture of the state of the economy of this Colony but the above should suffice as a descriptive account of the background against which the problems of development financing should be set.

Turning to the mechanics of the central finances there is undoubted evidence of the growth of the public sector as Mrs. Hicks pointed out. [10]). The following table setting out the course of the central revenue since the war reflects its most salient aspects.

REVENUE (£s)

	Total	Customs	Taxes*	C.D.W.Fund.
1939	1.131,357	433,105	188,350	10,906
1940	1,139,131	516,252	227,059	7,990
1941	1,281,666	693,106	157,722	14,801
1942	1,478,163	687,192	227,273	12,728
1943	1,747,838	904,088	421,812	22,093
1944	1,885,090	843,131	488,128	120,715
1945	1,841,960	680,412	603,418	70,676
1946	2,195,474	891,592	621,203	154,901
1947	2,109,638	955,550	556,069	116,812
1948	2,648,984	1,033,720	992,342	141,399
1949	2,730,340	1,191,623	964,191	112,169
1950	3,268,530	1,445,915	1,044,870	250,828
1951	3,846,978	1,708,000 (Est.)	1,123,000	
1952	4,813,592	2,850,000 (Est.)	1,884,000	

* Excludes local government receipt from taxes of which information is not readily available.

The total volume of revenue has increased from £1,131,357 in 1939 to £3,946,978 in 1951 and is estimated to amount to £6,085,068 (1952). Neglecting changes in the value of money, the revenue has grown almost 5½ times (and at least twice if account be taken of changes in the value of money). In 1939 the most important contributor to the revenues was the Customs furnishing 39.2% of the total. This source still remained the most important in 1951 and 1952, contributing 51.5% and 57.1% respectively in those years. Meantime another source of revenue, namely taxation, has been gaining ground, and whereas in 1939 provided 17.2%, in 1951 provided 33.3% and in 1952 it was estimated at 39.1% (i.e. including arrears). This is not the place for a full explanation of these phenomena but suffice it to say that the most important and direct contributors of these changes have been the increases in rates of customs in wartime and since,[11]) in increased rates of direct taxation and, particsularly, the growth of taxation, to the institution in 1943 of a system of income taxation. The results up to date have more than proved the opposition to it in 1943 to be false and although it proved that at *times* a dictatorship may be more efficient than the democratic process, it is to be hoped that the people would sufficiently get over the psychological difficulties, which would otherwise create in their minds the illusion that dictatorship is always necessary. They have now got over one of the difficulties of economically backward countries in finding revenue and finding it by means of an equitable system of direct taxation and with the perfecting of the system its contribution to the regular revenues of the country ought to grow. This is all the more important as the liberalization of international trade in general would make for greater dependence on taxes rather than on customs, although there is a very good case for some degree of protection to be given to the economies of underdeveloped countries.[12] Sierra Leone, of all the West African Colonies, has recently developed a fine system of voluntary wage negotiating or wage-fixing machinery and industrial administration. It should now be possible for it to extend the coverage of income tax to the categories of workers thereby covered evolving administrative machinery suitable to its own peculiar circumstances to make such extension conform with the known Smithian cannons of equity and convenience and certainty at the same time as providing increasing revenue. There are indications that this is already taking place but it seems more logical that an administrative machinery should be worked out as fully as possible and the whole body of workers covered by the voluntary wage-fixing scheme brought into it at once rather than taking them in groups piece-meal. The latter course would be attended by a great deal of inequity. Given an honest and efficient administration it should also be possible for a more scientific scale of graduation to be worked out with decidedly higher rates than prevail today, although the rates chargeable to

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[9]) Almost the whole of commercial imports is in the hands of about 8 or 10 *extra-territorial firms,* the majority of whom had shown a tendency toward *trustification* before the war.

[10]) U. K. Hicks: The Search for Revenue in Underdeveloped Countries (Paris) p. 1 et. sq.

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11) Surtax was also imposed for the duration of the war and may to a large extent account for the drop in customs in 1945 at the end of the war, but was again overtaken by further increases in the basic tariff especially after the New Civil Service scales of salaries were put into force in 1947.

12) On this point see the excellent article by B. N. Ganguli entitled *Principles of Protection in the Context of Underdeveloped Countries* in *Indian Economic Review,* Vol. I. Feb. 1952.

equity investments activited within the Colony — should even with higher rates — be planned to have a very high incentive effect. This is very desirable in the context of an underdeveloped territory. One rather alarming feature of this growth of the public sector is the growing dependence of the government on extraordinary sources of revenue. 13) In 1939 the ordinary sources of revenue contributed 97% and the extraordinary 3%; in 1951 the ratios were 86% and 14% and in 1952 (estimated) 79% and 21% respectively. The chief one of the sources of Extraordinary Revenue is the Colonial Development and Welfare grant which has grown from just under 1% of total revenue in 1939 to almost 11% in 1951 and estimated to cover over 9% in 1952. This is disquieting but such disquiet could be allayed if, as it is intended, these grants are being employed in the form of capital investments in *speedy* income-generating projects, as it might be and it in fact ought to be that when the C.D.W. vote comes to an end the investment would have begun generating cumulatively such large incomes whose tax proceeds would offset the loss to the revenue of the end of the grant. There is reason to believe that this is not so. An obvious case is that of the practice of appointing highly paid personnel to do preliminary survey in the meantime before materials for the actual work become available. Closer scrutiny ought to be given to the uses of the grant. This problem is serious for this colony as it has shown throughout its financial history a tendency to increasing expenditure except in times of depression and even at that a tendency to fall back upon and exhaust its reserves.

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13) Broadly speaking the *Ordinary Revenues* include regular receipts such as taxes, customs, fees and fines, etc. whereas Extraordinary Revenues include non-regular receipts such as grants and other windfall receipts as appreciation of investments largely due to unforeseeable chance factors.

	1937	1939	1945	1946	1947	1948	1949	1950	1951
Ordinary	639,610	1,045,970	1,453,738	1,343,926	1,599,589	1,693,753	1,873,056	2,091,134	2,569,516
Extraordinary	280,656	119,092	458,220	489,557	520,234	478,278	584,605	887,685	1,584,588
TOTAL	920,266	1,165,062	1,911,958	1,833,483	2,119,823	2,172,031	2,457,661	2,978,819	4,147,104

	1937	1939	1947	1948	1949	1951
Administrative	193,955	218,076	583,796	542,438	588,735	912,494
Defence	35,262	62,494	56,085	56,360	66,111	80,920
Economic	207,098	280,739	683,695	735,732	794,335	1,475,141
Social	193,406	215,690	397,058	443,905	503,178	629,879
Miscellaneous	289,564	385,426	390,398	413,621	502,760	1,048,670

EXPRESSED AS %AGES OF TOTAL EXPENDITURE

	1937	1939	1947	1948	1949	1951
Administration	21.1	18.7	27.5	24.9	23.9	22.0
Defence	3.8	5.3	2.6	2.5	2.7	2.0
Economic	22.5	24.1	32.2	33.8	32.3	35.5
Social	21.0	18.5	18.7	20.4	20.4	15.1
Miscellaneous	30.5	33.0	18.4	19.0	20.4	25.2
	100	100	100	100	100	100

This is not an exact picture as the Colonial Development schemes included in the Miscellaneous group from 1947 have not been classified. The bulk of this would be of an economic or social character. The table, macroscopically speaking, is broadly reflective of the changing pattern of public expenditure and the changing pattern of the economic and social reflects an initial tendency to emphasize social rather than economic development in the first instance and the desperate attempts being made since 1948 to redress the position. This would have been in bolder relief had the Miscellaneous items been analysed in more detail. On the whole, however, the broad pattern of expenditure seems to be moving in the right direction for development but before any final judgement can be made as to the the efficiency of such spending, its microscopic aspects should be examined also.

This table, of course, showed an absolute growth in the scale of public expenditure and the changes in the pattern of that expenditure. Such growth in the scale of expenditure is no necessary index to the reality of development. As already pointed out, the surest index to such a growth would have been the changes in the estimated national incomes over the years and, to a less reliable extent, in the balance of payments similarly over the years. Neither of these indexes are available for this colony. There is some indirect evidence of developments but it is strictly not within the scope of this article to deal with that now. Such evidence as there is, as should be expected, is disappointing in view of the expenditure which it has entailed especially when it is remembered that development is cumulative and that development in this colony since the first world war has been almost continuous with the inauguration of the "Surplus Balances Development Programme" of the early twenties.[14]) This is not surprising because the absolute height of the figures does not take into account the changes in the value of money. When allowance is made for this, there is almost cause for alarm as it might be that the real value of the total functions of government is less than it was in 1939.[15]) This points to the fact of, perhaps, the most important single obstacle to development in this colony — and indeed of West Africa in general — that of inflation. It is difficult to know exactly the extent of the inflation in the context of Sierra Leone. There are no published returns of commercial banking activities. There is some information about the amount of currency estimated to be in circulation but though this reveals some growth it is an uncertain guide to the extent of inflation there may be in the economy as it would not take into account the velocity of flow of money nor would it take account of the amount of "bank money" in existence. Another indicator of the inflation in the economy — although not an index of the exact extent — is the movement of the official cost of living index. The present cost of living index is based on a rather haphazard survey of a number of working-class family budgets made in 1942/3. The sample was confined to wage-earners of £72 per annum and under whose assumed pattern of expenditure cannot in any way be considered as typical of the country as a whole. A significant point about the survey being that out of a total weightage of 54 applied to the six items, 29.2 was on food and 6 on clothing — the first entirely devoted to local foodstuffs and the clothing to the rather cheaper sort of cotton piece goods. The higher income groups particularly those who may be describerd as "anglicised" have a different pattern of expenditure and even in foodstuffs consume rather more expensive imported foodstuffs. It is to be remembered that inflation in West African territories is of the type *nicknamed* by Trotsky the "scissors inflation" [16]) in which the prices of imported goods move faster and more widely than those of local produce. Hence, were the cost of living index true for the class it is intended to reflect (even though it is being tinkered with periodically) it cannot be true for the country as a whole.[17]) Nevertheless, some indication of the inflationary trend may be gained from the movement of the official cost of living index bearing in mind its limitations. The movement of the index was as follows:—

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[14]) So called because it was contemplated to use the reserves accumulated since about the beginning of the century for the purpose.

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[15]) The changes in the proportions of the economically meaningfull categories into which the expenditure has been re-tabulated reflect the changing emphasis which is put upon its various functions under the climate of development.

[16]) Cf. Tudor Davies Report Col. No. 204 (1946) Part I, p. 34 (Table 5) and Appendix I p. 54. Also Harragin Report (1946) Appendix of prices.

[17] R. K. Gardiner in 1946 privately calculated an index (unpublished) technically on a more scientific basis, but by failing to weight the separate indices of the different categories according to their disribution in the population rendered the combined *national* index nugatory.

CHANGES IN THE COST OF LIVING

Year	Annual Average
1939	100
1944	252
1945	234
1946	237
1947	233
1948	242
1949	250
1950	255
1951	341
1952 (based on 1st 9 months average)	393

The wartime measures of government granted cost of living bonuses and their effects in generating and stimulating a wage-induced inflation has already been referred to. In 1947 this dangerous career was continued by the uncontrolled upward and retrospective revision in the salary scales of its servants and in 1947 and 1948 sums totalling £63,959 were pumped at once into the current income stream in the form of drawbacks. Indeed, in making the recommendations Sir Walter Harragin expressly hoped that prices would not rise at all which, of course, was only possible had there been absolute control of prices as there was in the United Kingdom say. But almost before the drawbacks were paid price revisions were announced which worked out at approximately 13% on average and as the awards and this initial rise instigated non-civil servants to agitate for increases in pay, prices were again twice revised during the year. Subsequently, the civil servants themselves began to whine under the lash of the inflation and the administration again returned to a system of granting cost of living bonuses which Harragin had disposed of and this time one which was awarded on a higher average scale than before. The appointment of the Sinker-Momoh [18]) commission is, no doubt, a pointer to another upward revision of salary scales throughout the country beginning with the civil service and the continuous and dangerous drift towards a runaway inflation.

The danger of inflation in the context of an economy undergoing the process of development lies in the grim prospect that by lowering real wage rates and the real value of fixed incomes, on the one hand, and by encouraging monopolists, speculators, profiteers and "spivs" it undermines popular confidence, reduces savings and efficiency and thus fritters away the fruits of development. Thus the object of development in itself defeated. There is clear evidence that this has been the case in Sierra Leone and, as was remarked above, the only gainers have been the large monopolistic importers the chief of whom are the *extra-territorial* concerns and the worst sufferers the peasant producers. The evidence is scanty but none-the less conclusive on the points.

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[18]) Cf. Opening speech of Governor to Legislative Council 3rd Dec., 1952, p. 2.

The total assessed profits for income tax purposes in the assessment years[19]) 1948/49 and 1949/50 increased from £704,832 to £1,118,619 or by 57.2%. At the same time the total trading profits (Company and non-Company traders together) increased from £1,465,200 to £1,885,464 which is an overall percentage increase of 28·6. The respective figures in 1950/51 were £833,095 and £1.733,402 a decrease in Company profits as assessed of 22%.[20]) Thus between 1949 and 1950 the profits of Companies increased by over 57% and that of all traders reachable by the Income Tax Department increased by over 28%. At the same time the income of civil servants was increased by a cost of living allowance of 12½%, and those of other workers likewise. But there was inevitably a time lag between the onset of each wave of inflation and the grant of the allowances. It is difficult to obtain exact information of the position of the peasant farmers. But between 1950 and 1951 the prices paid by the Produce Marketing Board for local produce showed an increase of just over 2% per ton on the 1950 average price. The Board's buying is done through the local agents of the Sierra Leone Produce Marketing Company Ltd. and as some of their buying involves bartering with imported goods, these increases either do not reach the peasant producer at all or very little of it reaches him. Granted, however, all of it goes to the peasant producer, it is quite clear that he is in not for a pinch but for a grind. In terms of the position *vis-à-vis* the national income it is most alarming when it is remembered the the farming population constitute the great bulk of the employed population.[21]) While inflation proceeds, it continues to transfer wealth from the poor peasants, the workers and the Civil Servants to the traders, speculators, and *extra-territorial* companies — in a sense the very opposite of economic development. This raises certain serious questions of social justice

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19) The assessment year during these years was 1st April to 31st March following and therefore not strictly comparable with the calendar years.

20) This was presumed to be due to a depression in trade. Cf. Income Tax Report (1951) p. 6. The import and export figures do not justify such a conclusion. It seems more likely to be evidence of something like the *Ricardo Effect* in commercial practice connected with the inflation itself and which at the same time affords companies a means of evading taxation by converting their profits into larger stocks or working capital. As long as there is the prospect of inflation which benefits the import trades this is likely to continue.

21) A rough estimate made by the author puts the farming population in 1948 at 74.07% of the total working population. This is astonishingly close to the regional estimate made by the U. N. Economic Survey of Africa 1950.

and economic development with which we are not here immediately concerned.

Another effect of which there is some evidence is that the inflationary tendency is draining off the savings of the people — savings which should have been conserved and harnessed for the very purposes of development. The information here is also scanty but such of it as there is in no less telling. The two commercial banks do not publish any statement of their activities in this colony largely because they are *extra-territorial banks* with their Head Offices in London from where global annual accounts are published. It is therefore impossible to know the changing position of the different categories of their creditors. The Post Office Savings Bank, however, publishes annual returns of its business activities but as it has a higher security and pays comparatively higher returns to small savings it is not quite certain that it is only small savers in the country who make use of its facilities. Were its accounts more detailed giving different categories of savers it might have revealed much more of what is taking place. As it is, even with these qualifications, the general conclusion is inevitable that inflation is leading on to more and more consumption of savings. The following table is eloquent on the point:—

Date (31st Dec.)	No. of Depositors	Deposits	Deposits per head	%age increase (+) or decrease (—) per head
1947	36,472	£902,013	£24.7	—
1948	37,769	£866,119	£22	—10.9
1949	39,979	£865,859	£21.6	— 1.8
1950	42,481	£864,593	£20.3	— 6.4

AVERAGE DECLINE OVER THE 3 YEARS 6.36%

We are now in a position to arrive at some tentative conclusions regarding the problems of financing development in Sierra Leone in particular and the West African territories in general. The structure of the public finances of the Colony is largely related to the broad pattern of its economy — its revenue depending largely on customs duties and taxes. The development of a sound system of direct taxation and a well thought-out machinery for the promotion of industrial peace open up the ancilliary prospect of establishing the system of direct taxation and extending it as the chief provider of the revenues so that with the expansion of incomes which should follow real economic development the technical difficulties of finding revenue facing most underdeveloped countries to-day should be easier for this colony. What is more difficult for this colony is the prospect of finding capital for development. Not that there is no capital available but a fundamental change of policy would be needed in order to harness whatever capital there is. The revised estimated cost of the development planned for this colony for the decade 1945-1955 is put at £10,695,000 of which £2,900,000 are to be provided from Colonial Development and Welfare grants; £5,000,000 from loans and £2,795,000 from local resources. 22) With a rational change of policy, all of this amount could be provided from within the country. The country is not poor relatively to the demands of its planned development. If anything, it is not only potentially rich but also in reality. In six years of the war the mines of the country (exclusive of the chrome mines) made a nett profit of over £ 7 millions (possibly twice as much) which were transferred out of the country. This profitability of the mineral industry has continued and shows that the country has the resources to give it the capital equipment needed for development. The mineral deposits of this country are not only *strategic* but also industrially important minerals; and in this era of development of underdevelopel regions when for decades to come, as far as can be foreseen, there is going to be an insatiable demand for these minerals for the new industrializing countries and for re-equiping the old, the minerals of this country are its richest assets and cannot in any circumstance be unprofitable. What is needed is that the new mines should be speedily exploited under some form of public ownership as was set out in the Secretary of State's Circular on Mining policy in 1948.23) That is necessary in order that the natural assets of the country while wasting should remain in the form of new types of capital and not flow out irretrievably in the form of exhorbitant profits to extra-territorial enterprises. Alternatively, the same purpose can be achieved or almost so by a joint semi-public enterprise in which the country's interest is adequately represented and guaranteed by arrangements for ensuring that a definite share of the profits be left in the country and the provision of guarantees for technical training of the highest order within the industry of local personnel to man and run it when the period of semi-public ownership transpires and full public ownership is assumed. But this is leading us on to technical problems which are strictly outside the compass of this article. Another alternative would be to tax all extractive industries more highly or similar fiscal

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22) Cf. The Colonial Territories (1950-51) Cmd. 8243 (H.M.S.O.) p. 174 Appendix IIIA.

23) The iron mines were started with the aid of a loan of 50% of the original shares of the Sierra Leone Development Co. Ltd. (£500,000) contracted by the Government under the Colonial Development Act (1929) at 5% for 25 years and loaned to the Company at 5½%. The profitability of the Company was such that this loan was fully repaid within 5 years of the beginning of mining activities.

expedients which aim at conserving the country's capital resources. Within two years of the establishment of the Sierra Leone Produce Marketing Company Ltd. in 1950 it had accumulated profits in stabilization Funds to the tune of £4,605,983; £2,744,994 of which had been invested in Gilt Edged Securities in the United Kingdom by December 1951.²⁴) It is to be noted that all these profits are invested in Gilt Edged securities outside the colony in a country which is economically far more developed. This is unsatisfactory for an underdeveloped country badly needing capital for development. Of course, the surpluses are intended to be used for bolstering up sagging prices and, therefore, the total incomes of the peasant producers in case of a depression and that implies keeping its assets in a reasoned order of liquidity, on principles similar to those followed by the commercial banking world, so as to be able to withstand the impact of a depression and so insure the position of the peasants. Gilt Edged securities are safe but it is questionable whether they are as liquid for this purpose as is necessary. The fact that the company has had to keep

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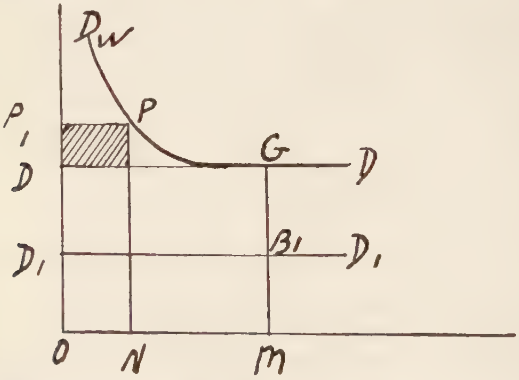
24) Cf. Sierra Leone Produce Marketing Board Third Annual Report Dec. 1951 pp. 8/9. In the light of world prices the true profits which would have accrued to the crops had the trade been in the hands of 'free competitors' as in pre-war times would have been higher still as the following diagram demonstrates.



24) Cf. Sierra Leone Produce Marketing Board Third Annual Report Co. Ltd. respectively.

GD_1 = Profit of S. L. P. M. Co. Ltd.
DWD = World demand curve
DD = Demand curve both of the S. L. P. M. Co. Ltd. and the British Ministry of Food
OM = Total supply bought from Sierra Leone
ON = Total supply bought on world market from British Ministry of Food
P_1L = Economic rent lost to S. L. P. M. Co. Ltd.

This is a bit simplified as the demand is not for Sierra Leone oil palms as such but for oil palms of known quality of which Sierra Leone's forms a part. This of course does not materially affect the validity of the analysis.

a cash balance of nearly 50% its investments also implies that the surpluses are not being used as profitably as would be desired. The fact should not be lost sight of that in a free enterprise world these surpluses should have belonged to the peasants and, at any rate, it is desirable in the context of an underdeveloped country to invest them within that country rather than elsewhere. There have been arguments that the present policy is justified by the necessity to avoid its inflationary effects in the colony were it employed there. This is an unconsciously subtle and specious argument against development itself. But that apart, these very funds can be employed, in the context of a West African territory, to combat the very inflationary tendency it is feared it would generate. Reference is made to this point later on. At the same time, these funds can be invested in the country to further on its development by promoting and stimulating secondary industries beginning with those associated with the products it deals with. Already since 1950 the Sierra Leone Produce Marketing Company Ltd. has instituted a scheme of mechanised production of palm oil and palm kernels but this is still entirely connected with the export industries. It is essential that it should also move to the stage of a horizontal extension of this by establishing margarine, soap, candle and cattle cake industries closely associated with the Pioneer Oil Mills. Already the oil mills are releasing manpower from the old, less efficient indegenous palm industry and the mechanization of agriculture should carry this much further. Some of these should be able to find employment opportunities in the new secondary industries. It would generate incomes within the country and open up a local market for the use of the very products manufactured which should itself serve as an insurance policy against a depression in the raw materials trade itself. Further than that, although it will have some undesirable structural effects on the industries abroad in locations not naturally suited to it, the natural advantages of location and costs will permit the finished products of these new secondary industries to be furnished to the oversea consumers of these oil products at considerably lower costs. In the context of inflation the investing of capital in the country need not mean active inflation though it will cause a good deal of inflationary pressure which can be dammed by appropriate fiscal or monetary measures or both until the real income from development is beginning to flow in an increasing amount and the fiscal and monetary sluices gradually released in step.

The whole question raised by the investment policy with regard to the surplus funds of the Sierra Leone Produce Marketting Company Ltd. (a semi-public corporation) is even more disturbing in the context of the loan and investment policy of the government itself. Normally in good years, the government runs a budget surplus which is accumulated and invested by the Crown Agents under direction from the Colonial Office. The estimated balance at the end of 1951 was £2,049,080; and in 1952 £2,006,320. The comparative figure for 1939 was £197,768. The securities held by the government against these funds show that practically all the reserves have been invested outside of the country with the exception of a small municipal loan outstanding. This is alarming because apart from the fact that the reserves could have been used in place of the loans [25]) or at worst to reduce the indebtedness of the country to the outside world, the weight of fixed debt charges to an economy like this may be aggravated by extraneous and uncontrolled circumstances such as devaluation of sterling (to which it is tied by a 100% sterling exchange standard) and a trade depression. It must be remembered that this economy depends largely on the export of raw materials which are subjected to considerable fluctuations in world markets and whose prices move less quickly than those of constructional goods even in prosperity times. The difficulties of meeting the debt charges in difficult times are very much greater for a primary producing country. Moreover, in a depression period the real value of the interest payment and debt charges increase and the capital value of the debt depreciates reflecting so much loss of capital to the investor. There is more than ample evidence of this in the financial history of this colony even in recent years.[26]) What is more there is conclusive evidence that even in purely money terms the colony pays more

(£s)

		1939	1950	1951	1952
Receipt of Interest on Investments etc.		25,336	44,414	51,020	44,920
Debt Charges	Other	39,568	49,154	130,000	158,460
	Railway	45,282	45,231	27,285	75,000
	Total	84,850	94,385	157,285	233,460

source: Official Estimates.

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[25]) The amount of Stock held on behalf of Investments on 31/12/1950 was £2,525,549: 6: 8d. and the nett value of the Colony's Public Debt on that date was £2,679,508: 16: od. vide *Financial Report (1950)*.

[26]) Conversion of debts and the pursuit of cheap money policy by the debtor country may have similar effects on the investing country.

dearly for this policy. [27]) The following table demonstrates this.

On the face of it this state of things appears unsound. It is the cardinal principle of development financing that the most efficient use must be made of the resources available within the country itself before looking for help from outside it. For an underdeveloped country, it is far better that such capital as is available should as far as possible be invested in the country itself and employd in the most efficient manner.

By far the most intractable problem confronting the West African Colonies to-day in regard to the financing of their development (and Sierra Leone in particular) is that of inflation. The facts, so far as they are immediately ascertainable, have already been set out. The situation is, no doubt, due to a complex of factors which it is difficult to know precisely. Among the more obvious internal factors can be listed

(1) the attenuation of the war-time inflation and the activation of the inflationary pressure with the end of the war;
(2) the monopolistic tendencies of the *extra-territorial* firms operating in the colony particularly in the import business;
(3) the continuous stimulation to higher surfs of inflation by the government policy of raising salaries and injecting doses of cost-of-living allowances into the income stream. With this must be connected the behaviour of labour in general to follow government lead in order either to redress the difference between them and the civil servants or to meet the increasing cost of living which (2) and (3) generate and so swell the income stream further;
(4) the lax and uninformed nature of the government measures to control inflation;
(5) the normal process of development financing itself;
(6) the inability of the colony to use monetary policy for the purpose due to the low state of development of its monetary institutions;
(7) the working of the 100% sterling exchange standard in the context of a West African Colony;
(8) Non-economic factors.

Although not strictly inflation, the rational control of trade directing the propensity to import away from the cheaper sources of imports also renders the internal price level higher than otherwise it ought to be as in the free trade days.

There is hardly space left to deal with these factors *sereatim* and in any detail. Some of them have been adequately analysed else-

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27) See Colony & Protectorate of Sierra Leone Financial Report (1950) pp. 57/66.

where.[28]) For our purposes here suffice it to say that the problem of inflation in the general context of West Africa is not such a simple one. Indeed, although the mechanics of the situation have been demonstrated in the text that in no wise indicates that any of the problems of financing development present easy solutions. The significant thing is that the solution must be the result of a multi-pronged attack on the giant. The real fundamental problem requires a long term solution but, at the same time, a more immediate, bold and swift one is called for. We have already seen how inflation is reversing very fast the prospects of development. Certain institutional changes are called for and indeed it would even seem that political or administrative changes would be needed before the courageous measures required can be taken and effectively executed.

To dilate on the attenuated persistence of the war-born inflation would be merely to cry over spilt milk. The measures, however, for dealing with (3) and (5) *supra* can take in their stride the residue of war-time inflation as well. The normal process of development involves the importation of capital either in the form of Colonial Development & Welfare grants or of loans and, to the extent that they employ unused resources within the country, are bound to generate new incomes within it. If these incomes reach the hands of spenders before the real goods and services on which to spend them, and which are to be created by the new capital, begin to flow there will be inflationary pressure exerted by spenders on the things available in the shops. In a free, uncontrolled or laxly controlled economy this inflationary pressure will be transmuted into active inflation through sheer intensification of demand even though the objective cost of these things have not increased at all thereby providing higher profits for the traders. What has to be done in the circumstances is first of all to recognize that *inflationary pressure* is not *inflation* but a danger signal to the economy. Then the inflationary pressure has to be dammed and kept in check until new additional goods and services begin to flow out of the capital development gone before when the sluices of the dam can be progressively released activating the spending of these additional incomes so that a higher level of flow of the income stream will be matched by a larger flow of goods and services permanently. Instead, the inflationary pressure in Sierra Leone, during this period, has been allowed to be activated and stimulated by increases of pay and cost-of-living-allowances. In addition the operation of the 100% sterling exchange standard in the context of the West African export economy implies an increase of currency issue with increasing exports [29]) and to the extent that the government permits these increases to be injected into the active currency stream and to form the basis on which the uncontrolled commercial banks base their credit policies it accelerates the inflationary movement. What needs doing is clear but the technique for doing it depends on the financial structure of the country and its monetary and financial institutions. Where there is an internal money market, the government or the monetary authorities can drain off the extra money incomes by monetary expedients such as an increased issue of short-term bills or similar loans or by the use of Bank Rate. Alternatively, it can peg prices or it can impose additional taxation to drain off the additional incomes in the hands of the spending public. These methods are in themselves not precision instruments and, therefore, some minor instability is inevitable necessitating, in consequence, readiness on the part of the authorities to exercise certain auxiliary controls as e.g. exchange control and selective importation discriminating against luxury and semi-luxury consomption goods from abroad. In the context of Sierra Leone, reliance has to be placed almost entirely on fiscal methods of control at least in the short run. The indiscriminate rise in the prices of imported goods has to be put an end to. This can be done by rigidly pegging prices. The Colony's taxation system permits of improvements on lines already indicated, in particular i needs to be graduated more scientifically in order to achieve a more equitable system of personal taxation and for draining away excess profits of trading concerns part of which, if need be, can be used for subsidising imports where discrimate increases in price take place. Such a revision of the tax system should as far as possible, while taxing away windfall, excess profits, discriminate in favour of (and thus offer an incentive to) equity investment or some forms of such investments. The exact details of what is to be done can be worked out with fuller knowledge of the relevant data. Alternatively, or simultaneously, some of the stabilization reserve funds of the Sierra Leone Produce Marketting Company, Ltd. can be invested in a *gigantic* subsidiary to deal in the general merchandise import trade. This will have the twofold effect firstly of providing an internal investment opportunity of an extraordinarily liquid and readily profitable kind, and secondly, it will have the effect of reducing the monopolistic power of the combines by setting up competition and so reducing the contribution which the monopolistic tendencies of these extra-territorial companies makes to the inflationary current. Mr. Mars in the work already cited has offered a reasoned catalogue of schemes to deal with the monopolistic tendencies of these firms but the one which appears most immediately suited to the context of Sierra Leone and most likely to deal speedily with their inflation-generating propensity is that here advocated. 30) But it must be emphasized that the Produce Marketing Company's merchandising subsidiary here advocated must be a really gigantic concern in order to obtain the desired results and something like half of the reserves now invested in gilt-edge might be used for this purpose.[31]) Consideration of the technical details of such schemes falls outside the scope of this paper but they would need careful planning.

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[28]) See Mars & Co. Mining Commerce & Finance in Nigeria (1948).

[29]) Cf. Mars etc. Mining Commerce & Finance in Nigeria. Chapter II.

The problem of more ample use of monetary controls to maintain stability and so conserve the fruits of development is much more connected with the long-term solution to the problem of internal disequilibrium. For this will necessitate the development of new monetary institutions in particular a central banking organization to control the monetary policy appropriate to those objectives in the special context of these territories. This is also connected with the problem of investment of the contry's resources and savings within the territory itself. In this connection a central bank should facilitate immensely the development of an internal money market. There have been some misgivings voiced as to the usefulness of creating a central bank for this purpose. The Trevor Report on Banking in the Gold Coast recently drew attention to the point "that the financing of development projects is not part of the true functions of a bank and that finance for a country's development is more properly provided by the Government of the country by taxation and the flotation of loans."[32]) From the point of view of a professional banker it is very true. But it is both too orthodox, legalistic and conservative. The history of the Bank of England up to about 1825 clearly shows that although it was no purpose of the originators of the Bank to promote development, the unconscious and unintentional centralization of the country's reserves in the hands of the Bank and its efficient use by the Bank's credit policy and otherwise helped, no doubt unintentionally, to develop not only the industries of the country but its

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[30]) Similarly in the context of the Gold Coast the surplus of the Cocoa Marketing Board can with identical results be heavily invested in the highly developed Cooperative Societies to expand their merchandising activities.

[31]) The strength of the extra-territorial Companies in 1951 is illustrated in the following table:

Capital (£s) per Coy.	No. of Coys.
Not exceeding 100,000	14
100,000— 500,000	9
500,000—1,000,000	3
over 1,000,000	6

Source Colonial No. 281-3 (H.M.S.O.) p. 89.

[32]) Report of Banking Conditions in the Gold Coast by Sir Cecil Trevor (1952) p. 1.

agricultural areas as well during a period when Britain was itself underdeveloped. So that although it is no avowed policy of the Bank to promote development, yet we can "*rationalize*" an historical experience into a new ancilliary function. Nor is it any argument to say that the West African Currency Board system ensures stability of the value of its currency in relation to sterling "without the cost to the territories of having the institutions for controlling internal credit, managing the balance of payments, and maintaining the foreign exchange reserves which are necessary in a country with an independent monetary system."[33]) For there is some cost to the territories — the loss of the experience of managing their currency and the technical banking skill which is still so lacking and the fluctuations in sterling itself from which independent management might have insulated the West African economies. What is more the investment of their reserves in more advanced countries thereby retarding their own development might have been avoided. A central bank is a vital necessity in the scheme of development not only for centralizing whatever savings and reserves there might be in the country but by creating an internal money market, discover internal avenues for profitable investment and thus channel the communities' savings into real development. This can be aided by a rational credit policy controlled by such an institution and the general control of the monetary system which it exerts on the commercial banks and other monetary institutions to promote both internal stability and external balance. Sir Cecil Trevor, however, has put his finger on one vital point of weakness in this respect, namely the dearth of trained bankers and economists in West Africa. This is a very vital need and ought to be treated by West African governments as a matter of top priority. Already, two higher institutions of education in West Africa are turning out graduates with academic training in economics and allied subjects. Every effort should be made to make the utmost use of these graduates. Like finance itself, a backward economy in process of development requires that the most efficient use be made of the few highly developed personnel available to it. This matter of trained bankers can be most efficiently treated as a question of *technical assistance* and every effort made on a broad international front (either through the U.N. technical assistance programme or by bi-lateral governmental arrangements) to get these graduates *interned* in Central banks in England, Scotland, India, the U.S.A. and the International Bank for Reconstruction and Development or wherever in the world the opportunity offers. There they should have a minimum of two years training — more profitably longer — to gain the necessary practical banking experience as speedily as possible. Finally, in this connection, it is our considered view that although central banks are necessary in West Africa for the purposes described, in view of the monetary history of the region the best arrangement would be a federal reserve banking system (with branches in each of the Colonies) to which the West African Currency Board's activities should virtually be transferred. The West African Governments should hold a conference as soon as possible to consider the establishment of this institution instead of pursuing the wasteful ends of trying to set up semi-public quasi-commercial "National" banks which could be left to private enterprise.

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[33]) Cf. The otherwise excellent little article of Dr. Ida Greaves: *What a Central Bank can do for a Colony; in WEST AFRICA,* Sept. 15, 1951, pp. 851/2.

The more salient problems of development financing in one of West Africa's Colonies has been dealt with in the brief compass of this paper. The paper does not pretend to deal with all the problems of development or of financing same; and even what it treats of only macoscopically. Indeed, any comprehensive study of the problems of economic development in West Africa or even of financing economic development would be incomplete if it neglects the microscopic aspects. For development implies an improvement of the lot of the Africans in a community which may be considered for our purposes as in a sense a *plural* community. This raises questions of social and distributive justice, questions, indeed, germane to the main issue of general development, but with which *we* are not immediately concerned. So too, the problems which ramify into strict problems of development financing proper have found no place in this study — such for example as problems of the appropriate tariff policy and of the incidence of the general tax system and the commercial policy appropriate to the economy *vis-à-vis* the objective of development. This is obviously an important problem as we have already seen how the financial system depends upon the economic structure of the colony and how the end of free trade, the depression and the war affected the direction of its trade. This necessitates a period of uneasy adjustment and in this period of development, it has rendered its development more costly than it need be since the uneasy balance of payments position of the mother-country and the rational direction of trade dictated by this end and the sentimental and other ties it has with the latter, have lost it the cheaper imports of Japan and Germany and other non-sterling area supplies which otherwise it would have enjoyed. At the same time the semi-governmental monopoly control of export produce dealing has meant some loss of income to the produce of the country. There is no doubt that the problems are real and that certain present trends are undesirable. A halt ought to be called to those trends. The measures necessary require changes in policy in many directions. That will indeed be difficult. The natural inertia of *red tape* government would have to be overcome and, in dealing with the extra-territorial concerns ties of racial affinity between them and the dominant political influences may have to be sundered; and policy will have to be more informed both in the large and in the minute technical details. The financing of development in this Colony is, in some ways, proceeding well. Nevertheless grave problems remain. These are problems of how to transform its rich natural recources into the types of capital needed for its development and how to make the most efficient use of its other internal resources both physical and financial. The most serious problem which has to be confronted, however, is that of establishing and maintaining monetary stability in a situation so dynamic. It can be done by a rigorously scientific analysis of the total situation in a most objective way and then adopting rational and equally objective measures for dealing with it irrespective of whatever vested interests my be outraged. In all these matters, the difficulty, as lord Keynes once taught us, is in knowing for certain where wisdom lies. Once this difficulty is overcome, policy will, with the usual time-lag, follow the path of wisdom.

QUELQUES PROBLEMES DE DEVELOPPEMENT FINANCIER ET ECONOMIQUE EN SIERRA LEONE (OUEST-AFRICAIN)

PAR N. A. COX-GEORGE

RESUMÉ

Le financement du développement de régions insuffisamment développées représente, peut-être, le plus grand problème purement économique de la deuxième moitié du 20e siècle. Soulever ce problème, c'est attirer l'attention sur l'Afrique, et en particulier sur l'Ouest-Africain qui est aujourd'hui la région coloniale la plus importante. Bien que les régions insuffisamment développées aient des problèmes en commun, il y a d'une région à l'autre des différences qui méritent une étude spéciale. La différence la plus fondamentale entre les régions coloniales et le reste des régions insuffisamment développées est la dépendance politique.

Dans l'Ouest-Africain, Sierra Léone peut être considéré comme point de départ pour de telles études, et cela pour nombre de raisons. Cet article, cependant, est limité à la dernière phase de développement de cette colonie, depuis 1941. Ici, il convient de ne pas perdre de vue que la structure économique générale pose les problèmes de développement du territoire.

Le trait principal de la structure est qu'il s'agit ici d'une économie à l'exportation qui dépend d'un ou de deux produits forestiers et de l'extraction de minerai. La structure des relations commerciales extérieures de cette colonie était fondée sous le *climat* du ,,libre-échange" sa voie commerciale étant davantage orientée vers les pays qui ne faisaient pas partie de l'Empire, que vers l'Empire lui-même — laquelle structure fut dérangée par la fin du ,,libre-échange" et par le commencement de la dernière guerre qui fit pencher la balance commerciale en sa défaveur. Cette situation est encore intensifiée du fait de l'échange monétaire 100 % sterling en vigueur. A cette situation est venu s'ajouter, pendant la guerre, un ,,boom" artificiel et avec lui une inflation très prononcée, laquelle fut précipitée par une politique gouvernementale ignorante. Une inflation de cette envergure est celle du type ,,à ciseaux" dans laquelle les prix s'étendent davantage et plus vite que ceux der produits d'exportation ou des produits domestiques.

Les finances centrales donnent d'incontestables preuves d'un accroissement d'activité dans le secteur public pendant la période passée en revue. La valeur totale du revenu a augmenté 5½ fois depuis 1939; en termes réels elle a au moins doublé. Bien que les droits d'entrée et les taxes représentent toujours les principales contributions au revenu total, la contribution due aux taxes augmente rapidement. Ceci est dû en grande partie à l'établissement graduel du système d'impôt introduit en 1943, et à l'augmentation du niveau des taux en général. Cependant, un des faits troublants de l'accroissement des finances centrales est que ces dernières dépendent de plus en plus de sources *extra-ordinaires* de revenu, dont la principale est le crédit du Fond Colonial pour le Développement et la Bienfaisance dont l'emploi devra, par la suite, être examiné à fond.

Le système de ses dépenses paraît, lui aussi, se modifier et s'engager dans la bonne direction pour le développement économique et social. Mais si nous tenons compte des changements intervenus dans la valeur de la monnaie, nous constatons qu les services *réels* fournis par l'administration en 1952 étaient moindres qu'en 1939. Ceci est principalement dû à la situation inflationniste dans laquelle l'économie se trouvait et continue à se trouver. Cette inflation, dont on ignore l'étendue exacte, forme l'obstacle le plus important au développement économique dans l'Ouest-Africain. Et elle est stimulée par l'alimentation effrénée et aveugle, de la part des autorités, d'une politique inflationniste des salaires, sous forme de subsides et de salaires de plus en plus forts et de révisions de salaires (COLA). Les seuls profiteurs ont été les grands importateurs monopolistes dont les principaux sont les établissements *extra-territoriaux*, alors que les producteurs-paysans sont ceux qui en pâtissent le plus. Et pendant ce temps, le pays absorbe ses petites économies à raison d'environ 6.4 % par an. Il y a ici un complexe de facteurs, mais les plus évidents facteurs endogènes semblent être:

1) l'atténuation de l'inflation due à la guerre et la stimulation de la pression inflationniste à la fin de la guerre —
2) les tendances monopolistes des entreprises *extra-territoriales* d'importatoir —
3) la politique inflationniste des salaires pratiquée par le gouvernement —
4) les mesures gouvernementales ignorantes et lâchement appliquées pour le contrôle de l'inflation —
5) le procédé normal de financement de développement exigeant l'importation de capitaux —
6) l'inabilité à se servir de contrôles monétaires —
7) l'application de l'échange monétaire 100 % sterling —
8) des facteurs non-économiques.

La solution doit être essentiellement double: une solution à court terme et une à long terme. La solution à court terme devrait viser le contrôle rapide des prix à l'importation, afin d'endiguer la pression inflationniste, jusqu'à ce qu'il y ait affluence augmentée de biens de consommation, lorsque les barrières de cette solution à court terme devraient être relâchées graduellement. Cette tâche peut être facilitée par le freinage de monopoles extra-territoriaux et, surtout, par l'établissement d'une gigantesque corporation publique pour l'importation de biens de consommation populaire. La solution à long terme, elle, devrait comprendre, entre autres, la création de nouvelles institutions, notamment d'une Banque Centrale et d'un marché monétaire interne qui aidera également à remédier à cette autre difficulté dans laquelle l'économie est englobée, à savoir ce paradoxe qui consiste à avoir des ressources non-exploitées jusqu'à concurrence d'environ 50 % du coût de ces projets de développement, investies dans des pays bien plus développés que lui-même. De cette façon, la difficulté du capital sera largement atténuée, surtout si la Banque Centrale peut se servir aussi de la politique de crédit pour le financement du développement. L'ultime difficulté réside dans le problème de faire comprendre définitivement, à ceux à qui il importe, dans quelle direction se trouve la politique de la sagesse. Une fois cet obstacle surmonté, la politique suivra, en traînant comme d'habitude, la voie de la sagesse.

LES PROBLEMES DE L'INTEGRATION DU REVENU IMPUTE DES BIENS D'INVESTISSEMENT DE L'ETAT ET DE L'INTERET DE LA DETTE PUBLIQUE DANS LA COMPTABILITE NATIONALE

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L'établissement de la comptabilité nationale, qui joue actuellement un rôle toujours grandissant tant sur le plan national qu'international, comporte de nombreux problèmes qui n'ont pas encore été résolus, ou qui ont reçu une solution différente selon les pays. Parmi ces problèmes, nous traiterons deux points tout à fait particuliers: l'intégration du revenu imputé des biens de l'Etat et celle de l'intérêt de la dette publique dans la comptabilité nationale.

§ 1. *Généralités relatives au revenu national et à la comptabilité nationale.*

Quelques mots d'introduction, d'ordre général, au sujet de la notion du produit national et des caractéristiques de la comptabilité nationale, ne sont sans doute pas inutiles au seuil de cet exposé.

La notion de produit national peut être envisagée sous trois angles différents, correspondant à un aspect particulier et significatif du même ensemble complexe. La *production* de biens et de services donne naissance à des *revenus* pour les personnes qui participent à l'activité économique; à leur tour, ceux qui reçoivent ces revenus les *dépensent* pour se procurer des biens et des services. Comme chacun de ces trois aspects, *production, revenu* et *dépense,* est la contrepartie des deux autres, il apparaît qu'il doit exister au moins trois définitions équivalentes du produit national. [1])

Pour les besoins de l'exposé qui va suivre, c'est la notion du produit national, envisagé sous l'optique des revenus attribués aux personnes participant à l'activité économique qui doit être retenue. Vu sous cet angle, le *revenu national* peut être défini comme étant le *total des revenus versés aux facteurs de production* d'un pays considéré pendant une période déterminée, *en contrepartie de leur participation à l'activité économique.* Pour des raisons qu'il est inutile d'exposer ici ce „revenu national" est inférieur au total de la production et au total des dépenses d'un pays.

Les facteurs de production sont, d'une part, les salariés, d'autre part, les détenteurs de la propriété et de l'entreprise. Le revenu des premiers prend la forme d'un salaire au sens large du mot, celui des deuxièmes celle d'un intérêt ou d'un profit.[2]) De sorte que le revenu national peut être exprimé par la formule que voici:

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[1]) Statistiques du Revenu National de divers pays, 1938-1947, Bureau de Statistiques des Nations-Unies, New York, 1948, p. 9.

$$\text{Revenu national} = S + I + P$$

S = total des salaires et traitements
I = total de l'intérêt
P = total des profits.

Ceci ne signifie cependant pas que les facteurs de production — salariés et détenteurs de la propriété et de l'entreprise — disposent de l'intégralité du revenu qu'ils retirent du chef de leur participation à l'activité économique. Par le jeu des impôts et des taxes, une partie de ce revenu est capté par les pouvoirs publics et affecté par eux, soit au financement des activités du secteur public, soit à l'attribution de *„revenus transférés"* au profit de certaines catégories de citoyens. Parmi ces revenus transférés, citons: les secours aux indigents, les pensions de guerre, les allocations familiales, etc....

Ce qui distingue fondamentalement les revenus des facteurs de production des revenus transférés, c'est le fait que les revenus des facteurs de production constituent la contrepartie d'une activité économique, tandis que les *revenus transférés sont attribués unilatéralement, sans prestation économique compensatoire.*

Comme dans ce dernier cas il n'y a pas création de richesses nouvelles, mais simplement transfert de revenus de certaines catégories de citoyens à d'autres, les revenus transférés ne contribuent pas à la formation du revenu national et ne sont donc pas à inclure dans le calcul de celui-ci.

Le problème essentiel que nous aurons à examiner dans la suite de cet exposé, réside, précisément, dans le point de savoir si les paiements d'intérêts aux détenteurs de fonds publics ont le caractère d'un revenu versé aux facteurs de production ou d'un revenu transféré. L'inclusion de l'intérêt de la dette publique dans le calcul du revenu national ou son exclusion, dépend de la réponse qui sera donnée à cette question.

Passons, maintenant, à la comptabilité nationale, à l'aide de laquelle le revenu national est à l'heure actuelle calculé dans la plupart des pays.

La comptabilité nationale enregistre dans une série de comptes, reproduits schématiquement au Tableau I, l'ensemble des opérations économiques des personnes physiques et morales résidant dans un territoire national déterminé, au cours d'une période considérée. L'économie nationale est, à cet effet, divisée en secteurs, correspondant aux grandes subdivisions traditionnelles de l'économie: les *entreprises, l'Etat,* les *particuliers et les institutions sans but lucratif,* plus un secteur *„reste du monde"* se rapportant aux transactions avec l'étranger.

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[2]) Mesure du revenu national et établissement d'une comptabilité nationale, Rapport du Sous-comité des statistiques du revenu national du Comité d'experts-statisticiens de la Société des Nations, Nations-Unies, Genève, 1947, p. 10 et s. Voir aussi *H. M. Somers,* Public Finance and National Income, Philadelphia, pp. 12 et s.

A chaque secteur de l'économie, correspond un *compte de production,* un *compte d'affectation* et un *compte des opérations de capital,* excepté le secteur „reste du monde", qui ne comprend qu'un seul compte, lequel n'est rien d'autre que la balance des paiements avec l'étranger.[3])

Ces comptes sont tenus suivant les principes de la comptabilité en partie double, c'est-à-dire que chaque opération économique (ou flux) fait l'objet d'une double imputation: au crédit d'un compte X et en même temps au débit d'un compte Y.

Quelle est la signification de chacun des trois comptes que nous venons d'énumérer?

Le *compte de production* reflète, ainsi que son nom l'indique, la contribution des secteurs au revenu national, au produit national brut et net, ainsi qu'à d'autres agrégats fondamentaux de la comptabilité nationale. C'est, en quelque sorte, le compte d'exploitation de chacun des secteurs. Y figurent, en dépenses, les biens et les services acquis à des fins productives par un secteur aux autres secteurs, et, en recettes, la vente des biens et des services produits par un secteur aux autres secteurs.

Le *compte d'affectation,* que l'on a aussi appelé compte de répartition, enregistre les revenus que les secteurs retirent du chef de leur participation à la production, les recettes et les dépenses de transfert entre les secteurs, ainsi que l'épargne (positive ou négative) réalisée par les secteurs respectifs. C'est, si l'on veut, le compte des profits et pertes de chacun des secteurs.

Enfin, dans le *compte des opérations en capital* sont groupées les opérations qui influencent la structure du patrimoine de chacun des

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[3]) Voir notamment *R. Stone,* Functions and Criteria of Social Accounting, International Association for Research in Income and Wealth, Income and Wealth, Series I, Cambridge, Bowes & Bowes, 1951. Dans les systèmes „simplifiés" ou „standardisés" de comptabilité nationale actuellement utilisés par de nombreuses autorités nationales et internationales, les comptes de production et d'affectation sont fusionnés. Pour un exposé théorique il est, par contre, préférable d'opérer une distinction entre ces deux comptes en vue de mieux faire ressortir la nature particulière des opérations qui sont enregistrées dans chacun d'eux.

SCHEMA DES C

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ENTREPRISES		ETAT	
Compte de production		**Compte de productio**	
Débit	Crédit	Débit	
Salaires et traitements (*)	Vente de biens et de services	Salaires et traitements (*)	Recettes du d public
Contr. patr. à la sécurité sociale (*)	Variations de stocks	Charge fictive pr. revenu imputé biens d'invest. (*)	Redevances
Intérêts s/capitaux (*)	Subventions aux prix	Biens et services acquis des tiers.	Transfert du d'affectation
Impôts indirects		Amort. industriel.	
Amortiss. industr.			
Profit d'exploitation transféré au compte d'affectation (*)			
Compte d'affectation		**Compte d'affectatio**	
Débit	Crédit	Débit	
Impôts directs	Profit d'exploitation transféré du compte de production	Transfert au cpte de production	Impôts direct
Bénéfices distribués	Autres subventions écon.	Pensions de guerre	Impôts indire
Epargne		Prestations séc. soc.	Contr. à la ciale a) p b) s
		Subsides écon. et sociaux	Revenus fina
		Interêt s/dette publique	Revenu impu biens d'invest
		Espargne publique	Dons de l'étr à des fins c sommation
Compte des opér. en capital		**Compte des opér. en ca**	
Débit	Crédit	Débit	
Nouveaux invest.	Espargne	Nouveau investis.	Epargne pub
Gros entretien et renouvellement.	Prov. d'amortiss.	Gros entretien et renouvellement.	Prov. d'amor
Variations de stocks	Emprunts.	Investis. ds. entreprises publ.	Emprunts
Investissements à l'étranger.			Dons de l'étr à des fins d'i

(*) Postes intervenant dans le calcul du revenu

TABLEAU I

E LA NATION

s)

ICULIERS & INSTITUTIONS

mpte de production

	Crédit
et traite-) la sécurité *) s/capitaux(*) ndirects services es tiers ndustriel	Cotisations Vente de biens et de services Transfert du compte d'affectation

ompte d'affectation

	Crédit
t au compte ction lirects. alariés à la ale de biens et ces de con- on	Salaires et traitem. Prestations séc. sociale Pensions de guerre Subsides sociaux. Revenu de la propriéte

pte des opér. en capital

	Crédit
x invest. retien et ement.	Epargne. Prov. d'amortiss.

RESTE DU MONDE

Balance des paiements

Débit	Crédit
Ventes à l'étranger. Dons de l'étranger à l'Etat.	Investissements à l'étranger.

sous l'optique du revenu des facteurs de production.

secteurs. En comptabilité privée ce compte est souvent désigné du nom de compte du patrimoine.

Il résulte de cette description tout à fait schématique de la comptabilité nationale que celle-ci déborde le calcul du revenu national proprement dit, et qu'elle a le caractère d'une étude générale de l'ensemble des opérations économiques qui ont lieu entre les grands secteurs de l'économie d'un pays. Les éléments intervenant dans la fixation du revenu national ne représentent qu'une fraction des flux qui sont enregistrés. Ainsi, dans le cas où le revenu national est envisagé sous l'angle des revenus attribués aux facteurs de production, ces flux se limitent aux seuls postes du débit du compte de production des secteurs, à l'exclusion de ceux ayant trait à l'acquisition de biens et de services entre secteurs. (Ce sont, au Tableau I les postes suivis d'une croix).

C'est dire, que le revenu national pourrait être déterminé sans un déploiement d'efforts aussi soutenus qu'exige l'établissement des comptes de la nation. Si néanmoins l'opportunité du recours à la méthode de la comptabilité nationale est à l'heure actuelle universellement reconnue, c'est en raison des recoupements infiniment précieux que celle-ci permet d'effectuer entre les données relatives aux revenus, à la production et à la consommation d'une nation.

Avant d'aborder le fond de notre exposé, il convient de rappeler, d'autre part, ce que l'on entend en comptabilité nationale par revenu imputé des biens de la propriété et comment les paiements d'intérêts sur des prêts consentis à des fins de consommation sont enregistrés dans cette comptabilité. L'intégration du revenu imputé des biens d'investissement de l'Etat et celle de l'intérêt de la dette publique dans les comptes de la nation ne constituent, en effet, que des cas d'application de ces deux questions.

§ 2. *Revenu imputé des biens de la propriété*

Quelques mots, pour commencer, au sujet du revenu imputé des biens de la propriété.

Les *biens d'investissement* mis par les détenteurs de la propriété à la disposition des entreprises leur rapportent un revenu. Ce revenu prendra la forme d'un loyer ou d'un fermage, lorsqu'il s'agit d'immeubles ou de terres de culture, d'un intérêt ou d'un dividende dans le cas de capitaux financiers, etc... Nous avons déjà vu que ces différentes formes de revenu constituent, en principe, la rémunération du service rendu par les biens de la propriété, c'est-à-dire, le revenu d'un *facteur de production.*

La règle consistant à traiter les revenus de la propriété comme un paiement aux facteurs de production souffre, cependant, une exception dans le cas des loyers perçus par des propriétaires isolés de maisons locatives. Les loyers en question ne constituent, en effet, qu'une recette brute, de laquelle il y a lieu de défalquer les dépenses de gros entretien, les frais d'assurance, ainsi que toutes les autres charges grevant les maisons locatives.

Pour ces raisons, et d'autres encore, sur lesquelles il est inutile d'insister ici, certaines autorités officielles et de nombreux auteurs, 4) ont été amenés à assimiler les propriétaires isolés de maisons locatives à des entreprises. Ces entreprises fictives sont créditées du montant des loyers, considérés comme *rémunération d'un service rendu par les entreprises en question aux locataires en lieu et place d'un paiement à un facteur de la production,* et débitées des charges grevant les maisons locatives (dépenses de gros entretien, assurances, taxes, etc...). Le solde de ce compte constitue la rémunération nette des services rendus par les biens de la propriété investis par les propriétaires isolés dans ces entreprises fictives, rémunération qui, elle, prend alors le caractère d'un paiement à un facteur de la production ou encore d'un revenu des biens de la propriété.

Que se passe-t-il maintenant lorsqu'un particulier occupe sa propre maison? Dans ce cas, son immeuble n'est plus pour lui la source d'un revenu en argent, mais seulement d'un revenu en nature. Comme la comptabilité nationale se borne, en principe, à faire abstraction de tous les revenus extra-monétaires, 5), elle devrait par conséquent ne pas tenir compte du revenu en nature dont jouissent les propriétaires habitant leur propre maison. Un pareil système entraînerait cependant des résultats inadmissibles: il aboutirait, en effet, à sousestimer le revenu national des pays où la propriété foncière est très morcelée par rapport à celui des pays où elle est concentrée entre les mains d'un petit nombre de propriétaires.

Afin d'obvier à cette anomalie, la plupart des systèmes de comptabilité nationale ont adopté la fiction suivante: le particulier occupant son propre immeuble est traité comme un locataire qui est censé se payer un loyer fictif à soi-même, considéré cette fois-ci comme entreprise, en compensation des services qui lui sont rendus par cette dernière. La recette nette de cette entreprise (loyer-charges) est reversée à l'intéressé considéré de nouveau comme particulier, et constitue alors un revenu de la propriété, c'est-à-dire la rémunération d'un facteur de production. C'est le montant de ce revenu, payé fictivement par les propriétaires de maisons à eux-mêmes, qui est appelé *revenu imputé des biens de la propriété.*

Le fait en soi de traiter les propriétaires occupant leur propre maison

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4) Notamment: l'United States Department of Commerce, le Centraal Bureau voor de Statistiek des Pays-Bas, la Trésorerie britannique et *R. Stone* dans son „Système simplifié de comptabilité nationale" d'avril 1950.

5) Statistiques du Revenu National de divers pays, 1938-1947, déjà cité — p. 9.

comme une „exploitation" rencontre notre approbation pleine et entière. Point n'est cependant besoin pour cela, nous semble-t-il, de faire figurer les opérations se rapportant à ces exploitations dans le secteur des entreprises; on peut parfaitement les laisser dans le secteur des particuliers c'est-à-dire à leur place réelle. Une pareille présentation respecterait davantage le principe de l'incorporation, d'une part, dans le secteur des entreprises dès seules opérations économiques régies par les lois du marché et, d'autre part, dans le secteur des particuliers de celles intervenant au sein de l'économie domestique. 6)).

§ 3. *La comptabilisation des paiements de l'intérêt sur des prêts de consommation dans la comptabilité nationale.*

Voyons à présent comment les paiements d'intérêt sur des prêts de consommation sont enregistrés dans la comptabilité nationale.

Il s'agit en l'occurrence d'un problème fort complexe qui nécessiterait de longs développements. 7)) Il suffira, cependant, pour les besoins de notre exposé, d'assimiler les paiements d'intérêt de la dette publique à la rémunération d'un facteur de production, contribuant au revenu national au même titre que les revenus des capitaux immobiliers dont il vient d'être question au paragraphe précédent. Les paiements d'intérêt figureront au débit du compte de production du secteur de l'emprunteur et au crédit du compte d'affectation du secteur du prêteur, soit donc (en supposant que ce soient les particuliers qui prêtent aux entreprises):

Compte de production des entreprises

D	C
Intéret payé aux particuliers x	
Contribution au R.N. x	

Compte d'affectation des particuliers

D	C
	Intéret payé par les entreprises x

La règle consistant à traiter les paiements d'intérêt comme la rémunération d'un facteur de production souffre, cependant, une exception dans le cas de prêts consentis à des fins de consommation. En voici la raison: Lorsqu'on a affaire à des prêts dits commerciaux ou productifs, l'argent emprunté reçoit une affectation productive. En d'autres mots, les biens et services acquis à l'aide de cet argent concourent, en principe, pendant toute la durée du prêt à en créer d'autres. Une fraction du produit de la vente des nouveaux biens et

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6) Telle est d'ailleurs la solution adoptée par *R. Stone* dans son étude „Functions and criteria of a system of social accounting", déjà citée, p. 39-40.

7) Voir notamment à ce sujet Dwight B. *Yntema*, National Income originating in financial intermediaries, Studies in Income and Wealth, vol. X, Conference on Research in Income and Wealth, National Bureau of Economic Research, New-York, 1947.

services ainsi créés peut dès lors être affectée au service de l'intérêt de la dette.

Les prêts à la consommation, par contre, ne sont pas investis dans la production et ne contribuent pas à l'augmentation du revenu national. Ils servent à l'acquisition, en vue de leur consommation, de biens et de services préexistants. Comme les prêts en question n'engendrent pas de richesses nouvelles, le service de l'intérêt les concernant ne peut dès lors être assuré par l'emprunteur que moyennant des *prélèvements sur des ressources à la création desquelles ces prêts n'ont pas contribué.* A l'intérêt positif de la créance positive du prêteur correspond donc, en cas de prêts à la consommation, en quelque sorte un intérêt négatif de la créance négative de l'emprunteur ou encore, le revenu positif de la propriété du prêteur est compensé, dans un pareil cas, par le revenu négatif de la propriété négative de l'emprunteur. 8) Ceci se traduit par les écritures que voici dans la comptabilité nationale (en supposant que ce soient les entreprises qui accordent des prêts de consommation aux particuliers):

Compte de production des entreprises

D	C
	Intérêt (+) perçu des particuliers . (+)x

Compte de product. des particuliers

D	C
Intérêt (+) payé aux entreprises . (+)x	
Intérêt (−)de la propriété (−) des particuliers . . (−)x	
Contribution au R.N. . néant	

Compte d'affectation des particuliers

D	C
	Revenu (−)de la propriété (−) des particuliers . (−−)x

On constatera que, grâce à cette présentation, l'intérêt sur les prêts de consommation ne concourt pas à la formation du revenu national, tout en apparaissant comme un revenu de la propriété du prêteur.

L'intérêt sur les prêts de consommation peut être comptabilisé suivant une autre formule, qui ne constitue d'ailleurs qu'une contraction de celle qui vient d'être exposée. En vertu de cette variante, l'écriture „Intérêt négatif de la créance négative des particuliers"... (−x) à

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8) *R. Stone,* „Définition et mesure du revenu national et des totaux connexes", Annexe au rapport du sous-comité des statistiques du revenu national du Comité d'experts statisticiens de la S.D.N., Nations-Unies, Genève 1947, p. 80.

„Revenu négatif de la propriété négative des particuliers" ... (–x) est omise dans les comptes de l'emprunteur, tandis que le poste „Intérêt positif payé aux entreprises" est inscrit au débit non plus du compte de production, mais à celui du compte d'affectation. (De ce fait l'intérêt payé aux entreprises ne contribue plus au R.N.).

On a donc:

Compte de production des entreprises

D	C
	Intérêt perçu des particuliers x

Compte de product. des particuliers

D	C
Contribution au R.N. . néant	

Compte d'affectation des particuliers

D	C
Intérêt payé aux entreprises x	

En vertu de cette présentation, qui aboutit, soi dit en passant, aux mêmes résultats numériques que la précédente, les paiements d'intérêt sur des prêts de consommation sont comptabilisés de la même manière que les paiements de transfert, c'est-à-dire au débit du compte d'affectation. Il importe toutefois de ne pas confondre ceux-là avec ceux-ci, comme beaucoup d'auteurs ont tendance à le faire. On peut, en effet, difficilement assimiler l'intérêt sur des prêts, fussent-ils consacrés à des fins de consommation, à des simples transferts de revenus, en d'autres mots à des paiements unilatéraux, ne constituant pas, dans le chef des bénéficiaires, la contrepartie d'un service rendu. Tout en marquant donc notre préférence en faveur de la seconde variante, à cause de sa bien plus grande simplicité, nous insistons sur le caractère *sui generis* des paiements d'intérêt sur des prêts de consommation, lesquels ne peuvent pas être confondus avec des paiements de transfert, dans l'acception habituelle de ce dernier terme.

§ 4. *La conception anglo-saxonne relative aux biens de capital de l'Etat.*

Nous pouvons maintenant aborder le fond de notre exposé à savoir: le problème de l'intégration du revenu imputé des biens d'investissement de l'Etat et celle de l'intérêt de la dette publique dans le revenu national. Ces deux questions ont déjà fait l'objet de discussions interminables dans les publications tant officielles que privées, sans que l'on soit jamais arrivé à une solution vraiment satisfaisante.

Les difficultés rencontrées proviennent des divergences qui existent au sujet:

a) des conceptions relatives aux biens de capital de l'Etat,
b) du rôle de la dette publique.

Il convient de parler d'abord de ce que, faute d'une appellation plus appropriée, nous appellerons la *conception anglo-saxonne relative aux biens de capital de l'Etat,* en raison du fait qu'elle est surtout défendue par des auteurs de langue anglaise.[9]) En vertu de cette conception, l'Etat n'investit pas, mais consomme uniquement les biens de capital fixe. En d'autres mots, les biens d'usage durable acquis par l'Etat tels que les bâtiments publics, les routes, les canaux, etc... sont traités en l'occurrence comme des dépenses de consommation. Ils sont pris en charge par un budget unique, n'opérant aucune distinction entre les dépenses de consommation et de transfert et les dépenses d'investissement, et sont amortis l'année même de leur acquisition.[10])

L'Etat, d'après cette conception, est dépourvu de tout bien de capital, ou tout au plus est assimilé à une entreprise privilégiée qui amortit au fur et à mesure de leur acquisition les biens d'investissement, lesquels ne figurent donc que ,,pour mémoire" dans son bilan. L'absence de toute trace de biens d'usage durable dans la comptabilité budgétaire d'un Etat de ce genre rend, dès lors, particulièrement spéculatif tout essai d'intégration du revenu imputé des biens de capital des pouvoirs publics dans la comptabilité nationale. D'où la tendance des adeptes de la conception anglo-saxonne de renoncer à cette intégration.[11])

Pour les citoyens du Vieux Continent, cet Etat, capable de financer l'intégralité de ses dépenses d'investissement à l'aide de ses ressources ordinaires, apparaît évidemment comme une pure spéculation de l'esprit. Il en est tout autrement pour les habitants des Etats-Unis et même de la Grande Bretagne, où, jusqu'à ces tout derniers temps, les dépenses d'investissement de l'Etat étaient financées par l'impôt comme s'il s'agissait de dépenses de consommation.

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[9]) Le terme ,,Etat" utilisé ici, comme dans la suite de cet exposé, ne vise pas les exploitations d'Etat et les autres entreprises publiques, lesquelles font partie intégrante du secteur des entreprises; il ne s'applique donc qu'aux services purement administratifs des pouvoirs publics.

[10]) *J. R. Hicks,* The problem of budgetary reform, Oxford, 1948, p. 7.

[11]) Le passage que voici, du rapport du U.S. Department of Commerce consacré au ,,National Income and Product of the United States 1929-1950", Washington 1951, p. 48, est symptomatique à cet égard:

,,An imputation for government-owned property is not made in the national income accounts for the United States because the conceptual and statistical bases for making a realistic and useful imputation are absent. The analogy to the housing imputation does not hold. The bulk of this imputation is anchored to realistic estimates of the gross rental value of owner-occupied property with rental property of similar type. In the case of the government no similar, market-based information to establish the rental value of the vast bulk of government structures and equipment is, or can be, available. The rental of the highway system or of the Tennessee Valley Authority cannot be estimated by reference to the rental value of property of similar type."

Faute d'une distinction dans la comptabilité publique des Etats-Unis et du Royaume Uni entre recettes et dépenses de consommation et de transfert d'une part, et recettes et dépenses de capital d'autre part, [12]) il est compréhensible que ce soient surtout des auteurs anglo-saxons qui aient défendu le point de vue qui vient d'être exposé.

L'U.S. Department of Commerce pousse le processus de „décapitalisation" de la propriété publique plus loin encore. Dans ses études sur le revenu national américain, les dépenses d'exploitation des entreprises publiques telle que la Poste, figurent au compte des dépenses courantes du secteur des entreprises. Par contre, les dépenses d'investissement des entreprises en question sont intégrées au compte des dépenses courantes du secteur de l'Etat, où elles sont traitées comme des dépenses de consommation.

Le fait de mettre certaines dépenses de capital des entreprises publiques à charge de l'Etat est un procédé qui peut se défendre et que l'on aurait tort de rejeter à priori. (Pourquoi, par exemple, ne pas faire supporter par le budget général de l'Etat tout au moins une fraction des dépenses ayant trait à l'infrastructure des chemins de fer, alors qu'une partie appréciable des dépenses d'entretien et de construction des routes, dont bénéficient notamment les entreprises de transport routier, sont à charge du contribuable?) Autre chose est évidemment de savoir s'il est vraiment indiqué de faire figurer les dépenses d'investissement des entreprises publiques au compte des opérations courantes du secteur de l'Etat, plutôt qu'au compte des opérations de capital de celui-ci.

§ 5. *La conception continentale relative aux biens de capital de l'Etat.*

La conception opposée à celle qui vient d'être décrite est celle que, faute d'une appellation meilleure, nous appellerons *„conception continentale"*, par suite du fait qu'elle plonge ses racines dans la pratique budgétaire de certains pays du continent européen [13]) (Suède-Pays-

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[12]) Voir *H. Laufenburger,* Finances comparées, Paris 1950, p. 56 et suiv.

[13]) A vrai dire les pays de l'Europe continentale — à part les pays scandinaves, la Hollande et la Suisse — n'opèrent pas, comme il le faudrait, une distinction systématique entre recettes et dépenses d'exploitation et de transfert et recettes et dépenses de capital, au sein d'un budget unique. Ils distinguent plutôt, au gré des vicissitudes financières du moment, les dépenses ordinaires couvertes par l'impôt ainsi que par les autres ressources ordinaires de l'Etat, et les dépenses extraordinaires couvertes par les ressources extraordinaires et l'emprunt, sans souci de la nature économique des recettes et des dépenses. Dans les pays en question on commet également l'erreur de confondre souvent l'amortissement financier de la dette publique avec l'amortissement industriel de biens de l'Etat, c'est-à-dire, deux notions essentiellement différentes. Voir à ce sujet: Kurt *Heinig,* Das Budget, Tübingen, 1951, Vol. II pp. 407 à 491.

Bas-Suisse). En vertu de celle-ci, l'Etat, au même titre que les entreprises, investit, amortit, ses biens d'investissement et retire un revenu de ses biens. Ceci implique donc que l'on:

a) ventile les dépenses du compte de l'Etat en dépenses de consommation et en dépenses de capital ou d'investissement;
b) fasse supporter par le compte des dépenses de consommation de l'Etat les charges d'amortissement des biens d'investissement;
c) inclue le revenu imputé des biens d'investissement de l'Etat dans le calcul du revenu national.

Les deux premières, parmi ces trois propositions, ne présentent aucun caractère de nouveauté. Il s'agit d'idées déjà adoptées depuis longtemps par les auteurs des White Papers sur le revenu national britannique et plus récemment par ceux des Nationale Jaarrekeningen néerlandais. [14]) Par contre, la troisième proposition consistant à inclure le revenu imputé des biens de capital de l'Etat dans le calcul du revenu national, ne paraît pas avoir dépassé le stade des discussions théoriques, [15]) sauf en Allemagne avant la guerre, et mérite quelques mots d'explication.

Le problème de l'inclusion du *revenu imputé des biens d'investissement de l'Etat* dans le calcul du revenu national n'est, somme toute, qu'un cas à la fois particulier et spécial de celui de l'inclusion dans ce dernier du revenu imputé des biens de la propriété, problème qui a été exposé au § 2. C'en est un cas particulier, lorsqu'il s'agit de bâtiments publics appartenant à l'Etat et occupés par les services de l'administration. Il n'y a, en effet, aucune raison de traiter autrément le revenu en nature que l'Etat retire de ses bâtiments que celui dont bénéficient les propriétaires du chef de l'occupation de leur propre immeuble, sous prétexte qu'ils appartiennent à une personne publique plutôt qu'à une personne privée. C'en est, par contre, un cas spécial dans la mesure où on a affaire à des biens d'investissement tels que les routes, les canaux, les installations portuaires, les parcs publics, etc..., qui rendent des services non pas tant à l'Etat lui-même, qu'aux entreprises et aux particuliers. Cependant même les services de cette dernière espèce ne peuvent être négligés dans le calcul du revenu national, sans risque de fausser les comparaisons dans le temps (le revenu national d'un même pays à des époques différentes) et dans l'espace (le revenu national de différents pays à une même époque).

Supposons, en effet, deux pays A et B dont le revenu national est identique. Dans le pays A, foncièrement libéral, les autostrades, les établissements d'enseignement à tous les degrés, la radio, les hôpitaux, etc... sont gérés par des personnes privées sur une base commerciale. Dans le pays B, par contre, régi par un régime travailliste, ces mêmes services sont assumés gratuitement par l'Etat et financés par son budget. Pour peu que l'on fasse abstraction du revenu imputé des biens d'investissement de l'Etat dans le pays B, c'est-à-dire des services gratuits rendus par ces biens au public, son revenu national apparaîtrait comme inférieur à celui du pays A, et ce simplement en raison de son régime politique plus collectiviste. Cette même anomalie se manifesterait dans le calcul du revenu national d'un même pays à des époques différentes, si on y procédait entretemps à des réformes de structure.

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[14]) De Nationale Jaarrekeningen: doeleinde, problemen, resultaten, no 8 der Monografieën van de Nederlandse conjunctuur, Utrecht, 1950, p. 129-130.

[15]) Une proposition dans ce sens a été formulée tout dernièrement au cours de la Conférence sur la comptabilité nationale, tenue à Paris, en septembre 1951, sous les auspices de l'O.E.C.E. Nous reviendrons ultérieurement sur cette proposition.

Le fait de ne pas exclure la valeur imputée des biens d'investissement de l'Etat tels que les canaux, les routes et les installations portuaires. se justifie également pour des raisons de principe:

1° Ne pas tenir compte de ce flux, sous prétexte que les bâtiments publics rendent surtout des services à l'Etat lui-même, tandis que les routes et les canaux servent principalement aux entreprises et aux particuliers, c'est perdre de vue que les uns aussi bien que les autres sont indissolublement associés à la production publique, au même titre que le sont dans le domaine de la production privée, les bâtiments administratifs des entreprises et les ateliers de fabrication de celles-ci.

2° Apporter une distinction entre les services rendus par les biens de l'Etat à l'Etat lui-même d'une part, aux entreprises et aux particuliers d'autre part, et ne tenir compte que de ceux-là dans le calcul du revenu national, c'est réintroduire par la bande le raisonnement qui est à la base de la vieille théorie de la finalité des servises rendus par les pouvoirs publics. En vertu de cette théorie, actuellement abandonnée par la plupart des spécialistes, il faudrait tenir compte uniquement des services rendus par les pouvoirs publics aux consommateurs terminaux, c'est-à-dire aux particuliers. En effet, les services rendus par les autorités publiques aux entreprises se retrouveraient déjà dans la valeur des biens et des services produits par ces dernières et ce en vertu du mécanisme des impôts indirects qui constitueraient précisément la contrepartie des services rendus par les autorités publiques aux entreprises.

3° Enfin, exclure le revenu imputé des biens d'investissement de l'Etat autres que les bâtiments publics aboutirait, comme on verra, à assimiler la quasi totalité de la dette publique à une dette de consommation, ce qui heurte le bon sens de tous ceux qui savent que le produit d'une partie appréciable de la dette publique a pour origine des investissements productifs (en Belgique tout au moins).

Par analogie à la méthode adoptée en ce qui concerne l'intégration dans la comptabilité nationale du revenu imputé des biens de capital des particuliers, certains auteurs, et notamment *R. Stone* dans son „Système simplifié de comptabilité nationale", ont incorporé les opérations relatives aux biens d'investissement de l'Etat dans le secteur des entreprises. Cette solution est, encore une fois, contraire au principe de ne comptabiliser dans ce dernier secteur que les opérations économiques régies par les lois du marché. Aussi, estimerons-nous préférable de faire figurer les flux monétaires et extra-monétaires se rapportant à la propriété publique dans le secteur de l'Etat. Tel est d'ailleurs le procédé adopté par *R. Stone* lui-même dans „Functions and criteria of a system of social accounting".

§ 6. *Les méthodes de calcul du revenu imputé des biens de capital de l'Etat.*

Le problème de l'intégration du revenu imputé des biens de capital de l'Etat dans le revenu national ne soulève pas seulement des controverses sur le plan des discussions doctrinales. Il comporte également des difficultés lorsqu'on passe au stade du calcul pratique de ce revenu extra-monétaire. Cela est dû à l'absence de toute donnée statistique directe quant à la valeur locative des immeubles et des constructions généralement quelconques de l'Etat, voire dans certains pays, quant à leur valeur tout court, alors que ces renseignements existent en général pour la propriété privée. A combien, par exemple, fixer la valeur locative du Palais de Justice de Bruxelles, de la Caserne Prince Baudouin ou encore de l'autostrade Bruxelles-Anvers? Voilà des questions auxquelles il serait bien difficile de répondre!

a) *Méthode du Dominion Bureau of Statistics du Canada.*

A défaut de tout renseignement statistique dans ce domaine, force est de recourir à des méthodes d'évaluation indirectes. Une première méthode, qui semble avoir été appliquée à un moment donné par le Dominion Bureau of Statistics du Canada,[16]) consiste à multiplier la valeur des biens d'investissement de l'Etat, telle qu'elle ressort des documents de la comptabilité publique, par le taux moyen de l'intérêt de la dette publique à long terme. Cette formule, qui assimile le taux du revenu imputé des biens d'investissement de l'Etat au *taux moyen de l'intérêt de la dette publique à long terme*, est fort simple et séduisante à première vue. Elle prête cependant le flanc à la critique. Les marchés des capitaux financiers et des capitaux immobiliers sont, en effet, régis par des lois économiques différentes. Le choix du taux moyen de l'intérêt de la dette publique à long terme paraît également arbitraire pour une autre raison. L'Etat ne finance pas seulement ses dépenses d'investissement moyennant des emprunts à long terme, mais également à l'aide d'emprunts à moyen, voire à court terme. Enfin, le principe lui-même, de l'utilisation pour le calcul du revenu imputé des biens publics, de méthodes empruntées à l'économie privée, peut être discuté.

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[16]) „Report on Tripartite Discussions of National Income Measurement", by Edward F. *Denison*, Studies in Income and Wealth, Vol. X, National Bureau of Economic Research, New-York, 1947, p. 11, N 3.

Dans le cas de la Belgique, la formule du Dominion Bureau of Statistics du Canada, aboutirait aux résultats suivants pour l'année 1950:

Valeur des biens d'investissement de l'Etat au 31 décembre 1949	161 milliards
Taux moyen de la dette publique à long terme en 1950	4,5%
Revenu imputé des biens d'investissement de l'Etat en 1950	7.245 millions

Ce montant de 7.245 millions paraît fort élevé lorsqu'on le compare à la charge d'intérêt de la dette publique en 1950, laquelle ne s'est élevée qu'à 6.518 millions. Le chiffre en question ne serait admissible qu'à la double condition, que la valeur des biens de l'Etat ait dépassé en 1950 très sensiblement le montant total de la dette publique contractée pour financer les investissements, et que le taux du revenu imputé des biens de l'Etat soit de loin supérieur au taux moyen de l'intérêt de la dette publique. Or, en réalité, le montant de la dette publique (252 milliards) a tout au contraire dépassé largement fin de 1949 la valeur des biens de l'Etat (161 milliards). Il n'y a, d'autre part, aucune raison de fixer le taux du revenu imputé des biens de l'Etat à un niveau sensiblement supérieur au taux moyen de l'intérêt de la dette publique. C'est plutôt le contraire qui serait logique.

b) *Méthode du Statistische Reichsamt.*

On a également suggéré une autre méthode pour calculer le revenu imputé des biens de l'Etat. Celle-ci, que nous appellerons „méthode du Statistische Reichsamt", en raison du fait qu'elle a été appliquée pour la première fois en 1932 par le Statistische Reichsamt de Berlin, consiste à *inclure, dans le revenu national, l'intérêt de la partie de la dette publique qui a été contractée à des fins d'investissement.* [17])

En vertu de cette méthode, on opère une distinction entre les emprunts productifs de l'Etat, affectés au paiement des dépenses d'investissement, et les emprunts de consommation de l'Etat, servant à combler le déficit du budget des dépenses de consommation (dépenses de guerre, etc...). L'intérêt sur la dette de consommation de l'Etat, à l'instar de l'intérêt sur les dettes de consommation des particuliers, ne contribue pas au revenu national, et est traité comme un paiement de transfert. Par contre, l'intérêt sur la dette productive de l'Etat est assimilé à l'intérêt sur les dettes grévant les entreprises et est, par conséquent, inclu dans le revenu national en tant que rémunération d'un facteur de la production.

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[17]) *E. Wagemann,* Das Deutsche Volkseinkommen vor und nach dem Kriege, Einzelschriften zur Statistik des Deutschen Reiches, Berlin 1932, p. 15, no 2.

La méthode consistant à prendre le montant de l'intérêt de la dette publique productive comme expression de la valeur des services rendus par les biens d'investissement de l'Etat nous paraît préférable à celle du Dominion Bureau of Statistics du Canada. Elle est, en effet, conforme au principe fondamental d'estimer les services de l'Etat à leur coût. Or, dans le cas des services rendus par les biens d'usage durable de l'Etat, ce coût n'est autre chose que le montant de l'intérêt de la dette publique, appelé fort à propos ,,historische kostprijs'', par *D. B. J. Schouten.*[18])

La méthode du Statistische Reichsamt a trouvé de nombreux adeptes auprès des spécialistes du revenu national des deux cotés de l'Atlantique (voir § 8, b ci-après). On peut cependant regretter que ces auteurs aient limité la valeur des services rendus par les biens du domaine public au seul montant de l'intérêt de la dette des pouvoirs subordonnés, et qu'ils n'aient pas compris, ne fût-ce qu'une partie du montant de l'intérêt de la dette du pouvoir central dans le calcul en question. La raison invoquée est que les emprunts du pouvoir central, à l'encontre de ceux des pouvoirs subordonnés, servent surtout à financer les guerres, c'est-à-dire à des dépenses de consommation, et qu'il est d'un autre côté fort malaisé de faire le départage entre la dette productive et la dette de consommation d'un Etat.

c) *Méthode proposée.*

La méthode du Statistische Reichsamt tout en marquant un progrès très sérieux sur celle du Dominion Bureau of Statistics du Canada, n'est pourtant pas non plus entièrement à l'abri de toute critique.

Elle n'est, en effet, correcte qu'à la condition que la valeur des biens d'usage durable de l'Etat ne dépasse pas le montant de la dette publique productive. Or, il se peut qu'une partie des biens d'investissement aient été acquis à l'aide de ressources ordinaires de l'Etat, ou que le rythme de l'amortissement financier de la dette soit plus rapide que celui de l'amortissement industriel des biens en question. Dans l'un comme l'autre de ces cas, le montant de la dette productive ne couvrirait qu'une partie de la valeur des biens d'investissement de l'Etat, et partant, l'intérêt sur cette dette n'exprimerait que partiellement la valeur des services rendus par les biens en question.

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[18]) *D. B. J. Schouten,* De Overheidsfinanciën in de Volkshuishouding, Leiden, 1950, p. 10.

La méthode du Statistische Reichsamt ne tient pas compte non plus de la circonstance que les dévaluations successives de la monnaie ont eu pour effet:

1° de permettre à l'Etat de rejeter sur les épaules des rentiers les charges de la dette de guerre, c'est-à-dire de dette de consommation par excellence, à concurrence de l'importance de ces dévaluations;

2° de rompre toute proportion entre la valeur actuelle d'un très grand nombre de biens d'investissement de l'Etat et le montant nominal des emprunts à l'aide desquels ils ont été acquis.

Ce qu'il importe donc de faire, pour rétablir l'équilibre entre le montant respectif des dettes nominales productives et improductives de l'Etat, d'une part, et l'incidence réelle que chacune de ces dettes exerce sur les finances publiques, d'autre part, c'est péréquater la valeur nominale de la dette productive en fonction de la hausse des prix et réduire, par contre, à due concurrence la valeur nominale des dettes de guerre.

La formule qui exprime dès lors le mieux la valeur du revenu imputé des biens de l'Etat, est, nous semble-t-il, celle qui consiste à *multiplier la valeur des biens d'investissement de l'Etat par le taux moyen pondéré de l'intérêt de la dette publique.*

$$\text{Revenu imputé des biens de l'Etat} = \text{Valeur des biens de l'Etat} \times \text{Taux moyen pondéré de l'intérêt de la dette publique}$$

$$= \text{Valeur des biens de l'Etat} \times \frac{\text{Montant de l'intéret de la dette publique}}{\text{Montant de la dette publique}}$$

Cette formule, qui est basée sur l'hypothèse que le taux du revenu imputé des biens de l'Etat est égal au taux moyen pondéré de l'intérêt de la dette publique, réunit plusieurs avantages que ne possèdent ni celle du Statistische Reichsamt, ni celle du Dominion Bureau of Statistics du Canada.

a) elle est correcte même dans le cas où la valeur de la dette productive est inférieure à la valeur des biens de l'Etat;

b) elle ne nécessite pas la ventilation de la dette publique en dette productive et en dette de consommation;

c) elle remédie aux écarts qui se produisent, en cas de dévaluation, entre la valeur nominale des dettes productives et de consommation et l'incidence réelle que ces deux sortes de dettes exercent sur les finances publiques;

d) enfin, elle se base sur le taux moyen pondéré de l'intérêt de la dette publique tout entière et non pas sur le seul taux de la dette à long terme.

Avant de fournir un exemple chiffré de la méthode proposée, il importe d'éclaircir un dernier point: la signification exacte à attribuer aux termes ,,biens de capital'' ou ,,biens d'investissement'' de l'Etat.

Faut-il limiter ce concept aux seuls bâtiments publics, ou doit-on l'étendre également aux routes, aux bois et forêts, aux canaux, aux ports, etc..., bref, à l'ensemble des biens de l'Etat dont l'usage dépasse la durée d'un exercice budgétaire, par analogie avec la pratique commerciale.

Les opinions sont partagées à cet égard. A notre avis, la notion de bien d'investissement ou de capital de l'Etat, doit être prise dans un sens très large et englober l'ensemble des biens d'usage durable appartenant aux pouvoirs publics à l'exclusion du mobiler et des machines de bureau, des archives de l'administration ainsi que du matériel et des approvisionnements militaires.[19]

S'en tenir aux seuls bâtiments publics, comme le fait le ,,Système normalisé de Comptabilité nationale'' de l'O.E.C.E.[20] aboutirait fatalement à des mécomptes, pour peu que l'on procède à des comparaisons du revenu national dans le temps ou dans l'espace. Car il suffirait alors que les chemins de fer ou les autostrades, par exemple, passent des mains de l'Etat dans celles de particuliers ou vice-versa, c'est-à-dire d'une simple mutation de nature juridique de la propriété, pour modifier d'une manière sensible la valeur des services rendus par les biens d'investissement d'un pays, ce qui serait évidemment contraire à la réalité économique.

§ 7. *Calcul du montant du revenu imputé des biens d'investissement de l'Etat, des provinces et des communes en 1950.*

Un exemple chiffré facilitera certainement la compréhension de la formule proposée. Appliquons la au calcul du revenu imputé des biens des pouvoirs publics belges en 1950.

On a:

$$\begin{array}{l}\text{Revenu imputé}\\ \text{des biens de}\\ \text{l'Etat en 1950}\end{array} = \begin{array}{l}\text{Valeur des biens}\\ \text{de l'Etat fin 1949}\end{array} \times \frac{\begin{array}{l}\text{Montant intér. dette}\\ \text{de l'Etat en 1950}\end{array}}{\begin{array}{l}\text{Montant dette de}\\ \text{l'Etat fin 1949}\end{array}}$$

Pour calculer le revenu imputé des biens de l'Etat en 1950 il faut, par conséquent, disposer des données suivantes:

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[19] La notion des biens de l'Etat que nous proposons, se rapproche de très près de celle adoptée par les auteurs des Inventaires officiels des biens de l'Etat belge. Contrairement à ces derniers nous excluons cependant les meubles, la documentation hypothécaire et cadastrale et le domaine militaire (à part les bâtiments et les ateliers militaires proprement dits). Nous ne tenons pas compte non plus du portefeuille et des participations de l'Etat dans le capital des entreprises publiques étant donné que le revenu imputé des biens en question ferait double emploi avec leur revenu monétaire; il en est de même des bois et des forêts.

[20] Paris, 1952.

1° La valeur des biens de l'Etat fin 1949; 20bis)
2° Le montant de la dette de l'Etat fin 1949;
3° Le montant de l'intérêt de la dette de l'Etat en 1950.

La fixation de la valeur des biens de l'Etat fin 1949 n'est pas chose aisée. Le dernier Inventaire des biens de l'Etat remonte, en effet, au 31 décembre 1947. De plus, les conceptions qui ont présidé à l'établissement de cet inventaire ne coïncident pas avec celles qu'il sied d'adopter en comptabilité nationale et les évaluations qu'il contient sont trop faibles. En l'absence d'une comptabilité patrimoniale de l'Etat il est, d'autre part, très difficile de chiffrer la valeur des investissements nouveaux et des amortissements au cours de la période 1948-1950.

La détermination du montant de la dette de l'Etat et de l'intérêt payé sur cette dette est également une entreprise très délicate. Les indications que l'on trouve à ce sujet dans les budgets et les comptes de l'Etat doivent être utilisées avec beaucoup de circonspection et nécessitent également des adaptations sur lesquelles il n'est pas non plus possible de nous étendre dans le cadre du présent exposé.

Bref, les chiffres que l'on peut réunir concernant le revenu imputé des biens de l'Etat n'ont que le caractère d'une estimation, comme c'est d'ailleurs le cas pour la plupart des grandeurs macro-économiques qui sont enregistrées par la comptabilité nationale.

En partant de notre formule on a:

$$\text{Revenu imputé des biens de l'Etat en 1950} = 160.911 \text{ millions} \times \frac{6.518 \text{ millions}}{252.430 \text{ millions}}$$

$$= 160.911 \text{ millions} \times 2{,}582\% = 4.155 \text{ millions}$$

Le revenu imputé des biens des provinces et des communes, calculé de la même manière, se chiffre à *527 millions*. Le revenu imputé des biens des pouvoirs publics pris dans leur ensemble atteint par conséquent en 1950 une valeur de 4.682 millions, soit environ 1½% du total du revenu national du pays au cours de la dite année.

La part des bâtiments publics dans ces revenus imputés est assez faible: 608 millions en ce qui concerne les bâtiments de l'Etat et 358 millions pour ce qui a trait aux bâtiments des provinces et des communes.

§ 8. *L'intégration des paiements d'intérêt de la dette publique dans la comptabilité nationale.*

Il nous reste, enfin, à parler de l'intégration des paiements d'intérêt de la dette publique dans la comptabilité nationale.

20bis) En réalité les biens achetés par l'Etat en 1950 devraient également entrer en ligne de compte, au prorata de la période qui s'est écoulée entre leur acquisition et le 31 décembre 1950. Faute de renseignements suffisants il n'a pas été possible de tenir compte de cet élément.

Le problème en question a déjà fait couler beaucoup d'encre. Les difficultés rencontrées proviennent, ainsi que nous l'avons déjà dit, des divergences qui existent au sujet du rôle de la dette publique.

a) *Cas de la dette publique considérée comme dette de consommation.*

Pour les uns, et notamment pour certains auteurs anglo-saxons, la dette publique a été contractée pour faire face à certaines charges, telles que les dépenses de guerre ou les déficits temporaires des caisses de sécurité sociale, en sorte qu'elle n'a guère ou pas de contrepartie sous forme d'avoirs productifs.[21]) La dette de l'Etat ne provoque donc pas une augmentation du capital national, mais, simplement, un accroissement des créances financières. Il convient, par conséquent, disent ces auteurs, de comptabiliser l'intérêt sur les prêts consentis à l'Etat comme le paiement d'un intérêt sur une dette de consommation,[22]) problème qui a été exposé au § 3. Ceci se traduit par les écritures suivantes dans les comptes du secteur Etat:

Compte d'affectation du secteur Etat

D	C
Intéret de la dette publique x	

Tel est notamment le procédé adopté dans les White Papers sur le revenu national du Royaume Uni, pour ce qui concerne la dette du Pouvoir central, et par les U.S. Department of Commerce.

Par contre *R. Stone* avait déjà signalé, en 1947, la variante consistant à traiter l'intérêt de la dette publique comme l'intérêt positif de la créance positive des porteurs de fonds publics, compensé par l'intérêt négatif de la créance négative de l'Etat, soit donc:

Compte de production de *l'Etat*

D	C
Intérêt (+) payé aux porteurs de fonds publics . . (+)x Intérêt (–) de la créance (–) de l'Etat . . . (–)x Contribution au R.N. . . . néant	

Compte d'affectation de *l'Etat*

D	C
	Revenu (–) de la propriété (–) de l'Etat . (–)x

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[21]) *R. Stone,* „Définition et mesure du revenu national et des totaux connexes", déjà cité, p. 80. Voir également *J. R. Hicks,* The Social Framework, Oxford, 1950, p. 138.

[22]) Tel est également l'avis de *H. Laufenburger,* déjà cité, p. 46 et de *F. Perroux,* Les Comptes de la Nation, Paris 1949, p. 96.

Enfin, dans le „Système simplifié de comptabilité nationale", le Groupe d'études du revenu national de l'O.E.C.E. a adopté en 1950 une solution qui se situe à mi-chemin entre les deux formules précédentes. L'intérêt de la dette publique y figure non pas au débit, en tant que paiement de transfert, mais au crédit, comme revenu négatif de l'Etat.

Compte des opérations courantes de l'Etat

D	C
	Intérêt de la dette publique . . . . . (–)x

b) *Cas de la dette publique considérée comme dette mixte.*

D'autres auteurs considèrent, comme on sait, les emprunts publics comme une dette mixte, dont le produit a été affecté aussi bien à des dépenses d'investissement qu'à des dépenses de consommation.[23] Dans ce cas, l'intérêt (y) de la dette publique productive est traité comme la rémunération d'un facteur de la production, tandis que l'intérêt (x) de la dette improductive est traité comme un paiement de transfert.

On a alors:

Compte de production de l'Etat

D	C
Intérêt sur la dette productive . . y	
Contribution au R.N. . . . y	

Compte d'affectation de l'Etat

D	C
Intérêt sur la dette improductive . . x	

Cette méthode présente un inconvénient. Elle nécessite la ventilation de la dette publique en dette contractée à des fins d'investissement et à des fins de consommation, ce qui pose un problème quasi insolube. Or dans les conditions actuelles il est déjà fort malaisé d'opérer la ventilation de l'intérêt de la dette publique entre intérêts payés aux entreprises, aux particuliers et au reste du monde. Une classification supplémentaire de ces flux suivant qu'ils se rapportent à des intérêts sur la dette publique productive ou improductive augmenterait encore ces difficultés. En effet, en vertu du principe de l'unité de caisse, l'ensemble des recettes de l'Etat sont confondues, peu importe qu'elles proviennent de recettes fiscales, d'emprunts à long, moyen et court terme, de ventes de biens de capital, etc...

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[23] Voir *G. Colm,* Public revenue and public expenditure in national income, Studies in Income and Wealth, Vol. I, New York, 1937, p. 197; *G. Haberler & E. Hagen,* Taxes, Government Expenditure and National Income, Studies in Income and Wealth, Vol. VIII New York, 1946, pp. 25 et s.; *E. Denison,* déjà cité, p. 9; *E. Wagemann,* déjà cité, p. 15, no 15; *R. Stone,* Functions and criteria..., p. 48.

Aussi, proposons-nous la variante suivante, à l'instar de ce qui a été suggéré à Paris en septembre 1951, à la Conférence de la comptabilité nationale organisée sous les auspices de l'O.E.C.E.[24]):

La totalité de l'intérêt sur la dette publique serait traité comme un intérêt sur une dette de consommation, mais en compensation on considérerait le revenu imputé des biens de l'Etat, comme une part contributive au produit national.

Le résultat est le même que celui que l'on obtiendrait en fonction de la méthode précédente, consistant à prendre l'intérêt de la dette publique productive comme expression du revenu imputé.

En effet:

$$\text{Revenu imputé des biens de l'Etat} = \text{Valeur des biens de l'Etat} \times \text{Taux moyen pondéré de la dette publique} \qquad (1)$$

$$= \text{Valeur des biens de l'Etat} \times \frac{\text{Montant intérêt de la dette publique}}{\text{Montant dette publique}} \qquad (2)$$

$$= \frac{\text{Valeur des biens de l'Etat}}{\text{Montant dette publique}} \times \text{Montant intérêt de la dette publique} \qquad (3)$$

Le deuxième membre de la 3ème égalité correspond à l'intérêt de la dette productive de l'Etat.

Il y a donc correspondance entre le montant du revenu imputé des biens de l'Etat et celui de l'intérêt de la dette publique contractée à des fins d'investissement. (Ceci montre, soit dit en passant, que *dans le cadre de notre système les deux notions en question coïncident*). Mais la variante que nous venons de proposer présente cet avantage de nous dispenser de ventiler la dette publique en dette productive et improductive.

Les paiements d'intérêt de la dette publique figureraient donc comme suit, dans les comptes du secteur Etat de la comptabilité nationale:

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[24]) Dans le texte primitif qui avait été soumis à la Conférence la notion du revenu imputé des biens de l'Etat était étendue à l'ensemble des biens de capital (capital goods) des pouvoirs publics. Lorsqu'on consulte par contre le texte définitif du „Standardised System of National Accounts", on constate que la notion en question a été limitée aux bâtiments publics (Government buildings).

Compte de production de l'Etat

D	C
Charge fictive afférente au revenu imputé des biens d'investissement de l'Etat . . . . . y	
Contribution au R.N. . . . y	

Compte d'affectation de l'Etat

D	C
Intérêt de la dette publique . . . x + y	Revenu imputé des biens d'investissement de l'Etat . . . . . y

En ce qui concerne l'intérêt de la dette publique belge en 1950, on le comptabiliserait de la manière que voici:

Compte de production de l'Etat
(en millions de francs)

D			C
Charge fictive afférente au revenu imputé des biens d'investissement			
a) *Pouvoir central*			
bâtiments publics	608		
autres investissem.	3.547		
		4.155	
b) *Pouvoirs subordonnés*			
bâtiments publics .	358		
autres invest. .	169		
		527	
Contribution au R.N. . .		4.682	

Compte d'affectation de l'Etat
(en millions de francs)

D		C		
Intérêt de la dette publique		Revenu imputé des biens d'investissement		
a) pouvoir central .	6.518	a) *Pouvoir central*		
b) pouvoirs subordon. . . .	829	bâtiments publics	608	
		autres investissem.	3.547	
				4.155
		b) *Pouvoirs subordonnés*		
		bâtiments publics .	358	
		autres invest. .	169	
				527
		Total . .		4.682

§ 9. *Les dépenses de guerre peuvent-elles être assimilées à des dépenses de consommation?*

Jusqu'ici nous avons tacitement admis que les dépenses de guerre peuvent être assimilées purement et simplement à des dépenses de consommation et partant, que les paiements d'intérêt sur les dettes de guerre sont des paiements de transfert. Ce point de vue est partagé par la plupart des théoriciens du revenu national et notamment par

J. Colm,[25]) *E. Denison,*[26]) *R. Ruggles,*[27]) *G. Jaszi* et *C. F. Schwartz*[28]) aux Etats-Unis; *J. R. Hicks*[29]) et *R. Stone*[30]) en Grande Bretagne; *F. Perroux*[31]) et *H. Laufenburger*[32]) en France ainsi que par *E. Wagemann*[33]) en Allemagne.

C'est ainsi que *J. R. Hicks* n'a pas hésité d'écrire que „we are obliged to treat war borrowing as analogous to a spendthrift's borrowing for consumption purposes". Et cet auteur de préciser:

„When the war is over, the government will find that it is left with a national debt on which it has to pay interest (most national debts are the legacies of past wars); but no capital goods have been acquired by means of the war borrowing, so there are no profits out of which the interest on the national debt can be paid, as it is the case with the debts of firms. Extra taxation has to be raised each year to meet the interest on the national debt; and this extra taxation cannot be regarded like the taxation raised to pay for the public services of the year, as a form of consumption expenditure, for which the state acts as the taxpayers' agent. The consumption for which the debt was incurred is over and done with; consequently we ought to regard each taxpayer as having to meet his share of the debt interest, before his true economic income — the income which is at his disposal for saving and consumption (including consumption of public services) — can be arrived at."[34])

Certains auteurs, et non des moindres, ont cependant formulé des réserves au sujet de la conception tendant à assimiler les dépenses de guerre à de simples dépenses de consommation. Ceci est notamment le cas pour *G. Haberler* qui a écrit ce qui suit:

„Though war costs cannot properly be classed as investment or as intermediate service, it is not fully satisfactory to class them as consumption. To do so would imply a paradox; namely when the living standard is declining current consumption is soaring. Yet war is after all a use of current output the people as a groupe have chosen. It is perhaps not unreasonable to insist that people's choises reflect their valuation of ends, and that if they place war high in their scale of choises, that indication of their preference must be taken at its face

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25) *G. Colm,* déjà cité p. 199;
26) *E. F. Denison,* déjà cité p. 11, no 3;
27) An introduction to national income and income analyses, New-York, 1949;
28) National income and product of the United States 1929-1950, p. 27;
29) The Social Framework, Oxford 1950, p. 100 et p. 138;
30) Définition et mesure du revenu national et des totaux connexes, déjà cité p. 80;
31) *F. Perroux,* déjà cité p. 96;
32) *H. Laufenburger,* déjà cité pp. 45-46.
33) *E. Wagemann,* déjà cité, p. 15, no 5.
34) *J R. Hicks,* déjà cité p. 137.

value. However, conventional ideas of what consumption includes are left more intact if we regard war as akin to consumption in that it is a final product, as it obviously is, but place it in a subcategory of its own."³⁵)

Quant à *S. Kuznets,* en se basant sur la constatation qu'en général seuls les pays victorieux payent un intérêt sur leurs dettes de guerre, tandis que les pays battus se débarassent de la charge de cette dette moyennant l'inflation, il avait déjà formulé avant la deuxième guerre mondiale la suggestion de considérer que „war investments are productive" pour les pays victorieux, et „improductive for the defeated countries".³⁶) En 1949, *S. Kuznets* est revenu sur ce problème et a, entre autres, exprimé l'avis que voici: „This is not to deny that if a chronic state of crucial struggles ever arrives, there would be need for asserting two end purposes to economic activity: welfare of individuals, and preservation of the social framework... It is clear that any changes in the definition of end purposes of economic activity has an immediate bearing upon what is included in national income; and hence upon how the net product of public activity is defined... The result would be to recognize all goods flowing in the armed conflict as final products; and to include in national income not only consumers' outlay and net output of government as defined below, but also all expenditures of government on war purposes."³⁷)

Ces paroles, à une époque où hélas on se trouve précisément en présence de ces luttes cruciales entre peuples auxquelles le prof. *Kuznets* se réfère, mériteraient d'être méditées pour le moins.

Enfin, *D. B. J. Schouten* dans un ouvrage auquel nous avons déjà fait allusion,³⁸) émet l'avis qu'il convient de fixer différemment la part contributive respective des entreprises et de l'Etat au produit national. La part des entreprises sera calculée en fonction de la valeur des biens et des services au *coût de remplacement,* celle de l'Etat sur base de la valeur des services au *coût de production,* appelé par l'auteur „historische kostprijs", c'est à dire coût de production historique. La valeur des services de l'Etat au coût de production garde sa signification comme source de revenu des détenteurs des facteurs de production. Parmi les éléments du coût de production figurent les intérêts de la dette publique — y compris ceux des dettes de guerre. Contrairement à une pratique fort répandue, il n'y a donc aucune raison de traiter ces charges d'intérêt comme des paiements de transfert.

Un examen approfondi des thèses en présence sortirait du cadre

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³⁵) *G. Haberler,* déjà cité, p. 29.

³⁶) Studies in Income and Wealth, Vol. I, New-York, 1937, p. 199.

³⁷) Government product and national income, Income and Wealth, Series I, Cambridge, 1950, pp. 184 à 185.

³⁸) De Overheidsfinanciën in de Volkshuishouding, déjà cité p. 10.

de la présente étude. Cela nous conduirait, en effet, à une discussion approfondie au sujet du caractère respectif des revenus des facteurs de production et des revenus transférés, discussion qui à elle seule exigerait tout un exposé. Les lignes qui précèdent ont donc seulement pour but d'attirer l'attention du lecteur sur le fait que l'opinion consistant à assimiler purement et simplement l'intérêt des dettes de guerre à des dépenses de transfert, n'est pas partagée par tous les auteurs et qu'il reste là un point fort épineux à résoudre.

THE PROBLEM OF INCORPORATING IMPUTED INCOME OF GOVERNMENT INVESTMENT AND INTEREST OF THE NATIONAL DEBT TO NATIONAL ACCOUNTS

BY MAX FRANK

SUMMARY

§ 1 - *General remarks concerning national product and national accounting.*

In the first paragraph the author gives a few general indications regarding the national product and national accounting.

The only point that needs to be noted here is that he does not use current transactions account and capital transactions account, but the three accounts: production account, appropriation account and capital transactions account.

The production account reflects the contribution made by the sectors to the national income, to the gross and net national product and to other fundamental aggregates of national accounting. It is, to some extent, the operating account of each of the sectors. Herein figure, on the expenditure side, the goods and services acquired for production purposes by one sector from the other sectors, and on the receipts side, the sale to the other sectors of goods and services produced by one sector.

The appropriation account, which has also been called distribution account, registers the income earned by the sectors by virtue of their participation in production, the receipts and expenditures of transfers between the sectors, as well as the saving (positive or negative) realised by the respective sectors. It is, so to speak, the profit and loss account of each of the sectors.

As for the *capital transactions account* it is the one usually employed in studies of national accounting.

§ 2 - *Imputed income of Property.*

Investment assets put at the disposal of business enterprises by property holders bring them in an income. This income takes the form of a rent for real estate or farmlands, and of an interest or a dividend in the case of financial capital, etc. These different kinds of income constitute, in principle, the remuration for the use of property, that is to say the income of a *factor of production.*

There is, however, one exception to the rule of treating income from property as payment for factors of production, and that is in the case of rents received by isolated owners of tenant houses. These rents constitute, in fact, only a gross receipt, from which have to be deducted: gross upkeep expenditure, taxes, insurance costs, possible mortgage interests, as well as all the other expenses incumbent on tenant houses.

For these and other reasons many authors have been led to liken isolated owners of tenant houses to business enterprises. These fictitious enterprises are credited with the amount of the rents which are considered as *the payment for a service rendered by the enterprises to the tenants in lieu of a payment for a factor of production,* and are debited with the expenses incumbent on tenant houses (gross upkeep expenses, insurance, taxes, etc.). The balance of this account represents the net payment for services rendered by the property invested by isolated owners in these fictitious enterprises and this payment then assumes the character of a remuneration for a factor of production or of an income from property.

Now what happens when a private person occupies his own house? In this case his house is no longer the source of a money income but only of a income in kind. Since, in principle, national accounting excludes all non-monetary incomes, income in kind enjoyed by owner-occupiers should also be excluded. Such a system, however, would lead to inacceptable results: it would in fact entail an underestimation of the national income in countries where landed property is very parcelled out compared with that of countries where the property is concentrated amongst a small number of owners.

In order to avoid this anomaly most systems of national accounting have adepted the following fiction: the private person occupying his own house is treated as a tenant supposedly paying a fictitious rent to himself, considered this time as a business enterprise, in compensation for the services which are rendered him by the latter. The net receipts of this enterprises (rent - expenses) are repaid to the person in question, who is again considered as a private person, and now constitute an income from the property, that is, the payment for a factor of production. It is the amount of this income, fictitiously paid by the owners of the houses to themselves, which is called *imputed income of property.*

§ 3 - *The treatment of interest payments on consumption loans in national accounting.*

For the purpose of this argument, interest payments are assimilated to the payment for a factor of production, and contribute to the national income in the same way as income from real estate capital, which was dealt with in the foregoing paragraph. The interest payments will appear on the debit side of the production account of the borrowing sector and on the credit side of the appropriation account of the lending sector.

There is, however, an exception to the rule of treating interest payments as payment for a factor of production, and that is in the case of loans given for consumption purposes. The reason is that in the case of so-called commercial or productive loans, the money borrowed is assigned to productive ends. In other words, the goods and services acquired with this money contribute, in principle, during the whole duration of the loan, to creating other goods and services. A portion of the product of the sale of the new goods and services thus created can then be attributed to the interest on the debt.

Consumption loans, on the other hand, are not invested in production and do not contribute to increasing the national income. They are used to acquire, with a view to their consumption, already existing goods and services. As such loans do not produce new riches the borrowers can only assure the interest on them by *a levy on resources to whose creation these loans have not contributed.* Therefore, in the case of consumption loans, the positive interest of the lender's positive credit corresponds, in some measure, to the negative interest of the borrower's negative credit; or again, the positive income of the lender's property is compensated, in such a case, by the negative income of the borrower's negative property. In national accounting this is shown by the following entries (as if it were business enterprises giving consumption loans to private persons):

Production account of business enterprises

D	C
	(+) Interest received from private persons ... (+)×

Production account of private persons

D	C
(+) Interest paid to business enterprises ...... (+)×	
(—) Interest on the (—) property of private persons (—)×	
Contribution to the N.I. zero	

Appropriation account of private persons

D	C
	(—) Income from (—) property of private persons ... (—)×

From the above presentation it will be seen that the interest on consumption loans does not contribute to the formation of the national income, even though it appears as an income on the property of the lender.

Interest on consumption loans can be entered according to the following formula, which is a contraction of the one just explained. According to this variant, the entry ,,Negative interest on the negative credit of private persons" (-x) to ,,Negative income of the negatieve property of private persons" (-x) is omitted from the accounts of the borrower, while the entry ,,Positive interest paid to business enterprises" is placed to the debit, not of the production account, but of the appropriation account. As a result the interest paid to business enterprises no longer contributes to the N.I.

Under this presentation, which leads, be it said incidentally, to the same numerical results as the preceding one, the interest payments on consumption loans are entered in the same way as transfer payments, that is to say, to the debit of the appropriation account. It is essential, however, not to confuse these two kinds of flows, as many authors have a tendency to do. It is, in fact, difficult to assimilate interest on loans, even if they are destined for consumption, with simple transfers of income, in other words to unilateral payments which are not, from the point of view of the beneficiaries, the counterpart of a service rendered. Although stating our preference for the second variant, owing to its greater simplicity, we would stress the *sui generis* character of interest payments on consumption loans, which cannot be confused with transfer payments, in the generally accepted sense of the latter term.

§ 4 - *The Anglo-saxon theory regarding government capital assets.*

The problem of incorporating the imputed income of government investment and the interest on the national debt to the national income has already been subject of interminable discussions.

The difficulties encountered arise out of the differences which exist between:

a) the conceptions of government capital assets
b) the rôle of the national debt.

We will deal first with what, for lack of a better name, we will call the *Anglo-saxon theory regarding government capital assets*, since it is above all upheld by English-speaking authors. According to this theory the government does not invest but exclusively consumes fixed capital assets. In other words, the durable assets acquired by the government, such as public buildings, roads, canals, etc. are considered in this case as consumption expenditure. They are provided for out of a single budget, which makes no distinction between consumption and transfer expenditure and investment expenditure, and are amortized in the same year as they are acquired.

According to this theory, the government is divested of all capital assets, or at any rate is likened to a privileged business enterprise which amortizes its investment assets as they are acquired, and which mentions them on the balance-sheet as "token". The absence of any trace of durable consumer assets in the budgetary accounting of a government makes any attempt at integrating the imputed income of capital assets of public administration into national accounting particularly risky. There is, accordingly, a tendence on the part of the partisans of the Anglo-saxon theory to give up any such attempt.

Since in the United States and the United Kinkdom no distinction is made between consumption and transfer receipts and expenditure on the one hand, and capital receipts and expenditure on the other hand, it is understandable that it should be the English-speaking authors who have more especially supported the point of view explained above.

§ 5 - *The continental theory regarding government capital assets.*

The opposite idea from the one described above is that which, for want of a better name, we will call the "continental theory" since it has its roots in the budgetary practice of certain continental European countries (Sweden, Holland, Switzerland). This theory assumes that the state, like business enterprises, invests and amortizes its investment assets and draws an income from these assets. This implies that:

a) the expenditure of the government account must be broken down into consumption and capital or investment expenditure;
b) the government consumption expenditure account must be charged with the amortization of investment assets;
c) the imputed income of government investment assets must be included in the calculation of the national income.

The first two of these three proposals are not new ideas but have already been adopted for a long time by the authors of White Papers on British national income, and more recently by the authors of the Dutch Nationale Jaarrekeningen. On the other hand, the third proposal for including the imputed income of government capital assets in the calculation of the national income does not appear to have got past the stage of theoretical discussions.

The problem of including the *imputed income of government investment* in the calculation of national income is only, after all, a particular and a special case of the inclusion in the latter of the imputed income of property, which was discussed in § 2. It is a particular case for public buildings belonging to the government and occupied by the administrative services. As a matter of there is no reason for treating differently the income in kind the government draws from its buildings and the income enjoyed by owner-occupiers. The fact that in one case these buildings are public property and in the other private property does not warrant any different treatment. On the other hand, it is a special case insofar as it is a question of investment assets such as roads, canals, harbour installations, public parks, etc., which render service not so much to the government itself as to business enterprises and to private persons. However, even services of the latter kind cannot be left out of the calculation of the national income without the risk of falsifying comparisons in time (national income of a given country at different times) and in space (national income of different countries at the same time).

Let us consider, for example, two countries A and B whose national incomes are identical. In country A, entirely liberal the autostrades, all kinds of educational services, the radio, hospitals, etc. are managed by private enterprise, on a commercial basis. In country B, on the other hand, with a socialist régime, these same services are gratuitously taken over by the government and financed from its Budget. If the imputed income of government investment assets in country B, i.e. the free services rendered by these assets to the public, is not taken into account, then its national income will appear smaller than that of country A, simply by reason of the fact that it has a more collectivist political régime. This same anomaly shows itself in the calculation of the national income of a given country at different times, if structural reforms have taken place in the meantime.

The inclusion of the imputed value of government investment assets, such as canals, roads and harbour installations, is also justified for the following reasons:

1. Not to take these flows into account, on the pretext that public buildings render service to the government itself whilst roads and canals serve mainly business enterprises and private persons, is to ignore the fact that both are equally and irrevocably associated with public production, in the same way as, in the field of private production, administrative buildings and workshops of enterprises are associated.

2. To distinguish between the services rendered by the government's assets to itself on the one hand, and to enterprises and private persons on the other, and only to consider the latter in the calculation of the national income, is to reintroduce the reasoning which is at the basis of the old theory of the finality of the services rendered by the public administration. According to this theory, which has now been abandoned by most specialists, account should only be taken of the services rendered by the public administration to the end consumers, i.e. to private persons. In fact, the services rendered by the authorities to enterprises would already be found in the value of the goods and services produced by the latter as a result of the indirect taxation mechanism which would exactly constitute the counterpart of the services rendered by the public authorities to enterprises.

§ 6 - *Methods of calculation of the imputed income from government capital assets.*

The problem of incorporating the imputed income of the government's capital assets into the national income also entails difficulties when we reach the stage of the practical calculation of this non-monetary income. This is due to the absence of all direct statistical data as to the rentable value of the buildings and constructions of the government, and even, in some countries, as to their value in itself, whilst this information generally exists in the case of private property.

a) *The Canadian Dominion Bureau of Statistics Method.*

Owing to the complete lack of statistical information in this field, use has of necessity to be made of indirect methods of estimation. A first method, which seems to have been used at one time by the Canadian Dominion Bureau of Statistics, consists in multiplying the value of government investment assets, as found in public accounting documents, by the average rate of interest of the long-term national debt. This formula, which identifies the rate of the imputed income of the government's investment assets with *the average rate of interest of the long-term national debt,* is very simple and attractive at first sight. It is, however, open to criticism. The financial capital markets and the real estage markets are, in fact, influenced by different economic laws. The choice of the average rate of interest of the long-term national debt also appears arbitrary for another reason. The government does not finance its investment expenditure solely from long-term loans, but also from medium or even short-term loans. Finally, the principle of using methods borrowed from private economy in order to calculate the imputed income of public assets, can itself be disputed.

b) *The Statistische Reichsamt Method.*

A further method for calculating the imputed income of State assets has also been suggested. This method, which we will call the "Statistische Reichsamt Method" because it was first used in 1932 by the Statistische Reichsamt of Berlin, consists of *including in the national income that portion of the national debt which was contracted for investment uses.*

According to this method a distinction is made between productive government borrowing which serves to pay for investment expenditure, and consumption government borrowing which serves to cover the deficit on the consumption expenditure budget (war expenditure etc.). In the same way as interest on the consumption debts of private persons, interest on the government consumption debt does not contribute to the national income and is treated as a transfer payment. On the other hand, interest on the government productive debt is likened to the interest on the debts of business enterprises and is, therefore, included in the national income as a payment for a factor of production.

The method which takes the amount of the interest on the productive national debt as an expression of the value of the services rendered by government assets seems preferable to the method of the Canadian Dominion Bureau of Statistics. In fact it conforms to the fundamental principle of estimating the services of the government at cost. Now, in the case of services rendered by the government's durable consumer assets, this cost is no more than the amount of the interest on the national debt.

c) *Proposed method.*

Althrough the Statistische Reichsamt method is an appreciable improvement on that of the Canadian Dominions Bureau of Statistics, it is still not immune from criticism.

It is, in fact, only correct on the condition that the value of the government's durable consumer goods are not superior in amount to that of the productive national debt. Now, it is possible that a portion of the investment assets might have been acquired through the ordinary resources of the government, or that the rythm of the debt's financial amortization might be more rapid than that of the industrial amortization of the assets in question. In both cases the amount of the productive debt would only cover part of the value of the government's investment assets and consequently the interest on this debt would only partially express the value of the services rendered by the assets in question.

The Statistische Reichsamt method also leaves out of consideration the fact that successive currency devaluations:

1. enable the government to pass the burden of the war debt on to the rentiers, that is, the consumption debt par excellence, according to the extent of these devaluations;
2. eliminates any proportion between the actual value of many government investment assets and the nominal amount of the loans which aided to acquire them.

In order to re-establish the equilibrium between the respective amounts of the nominal productive and unproductive debts of the government, on the one hand, and the actual repercussions that each of these debts has on public finance on the other hand, it is important to relate the nominal value of the productive debt to the rise in prices and, on the contrary, to reduce accordingly the nominal value of the war debt.

It would appear, therefore, that the best fromula for expressing the imputed income of government assets is that which *multiplies the value of government investment assets by the weighted average rate of interest on the national debt.*

$$\text{Imputed income of government assets} = \text{Value of government assets} \times \text{Weighted average rate of interest on the national debt}$$

$$= \text{Value of government assets} \times \frac{\text{Amount of interest on the national debt}}{\text{Amount of the national debt}}$$

This formula, which is based on the hypothesis that the rate of imputed income of government assets is equal to the weighted average rate of interest on the national debt, has many adventages over that of the Canadian Dominion Bureau of Statistics, and even over that of the german Statistische Reichsamt:

a) it is correct even in the case where the value of the productive debt is inferior to the value of governments assets;

b) it necessitates no break-down of the national debt into productive debt and consumption debt;

c) it obviates the differences which occur, under devaluation, between the nominal value of productive and consumption debts and the actual repercussions which these two kinds of debt have on public finance;

d) finally, it is based on the weighted average total rate of interest on the national debt and not only on the long-term rate.

One last point must be clarified and that is the exact significance to be given to the terms "capital assets" or "investment assets" of the government.

Should this concept be limited only to public buildings, or should it also extend to roads, woods and forests, canals, harbours, etc. in short to all government assets utilised over a period longer than the budget year, in the same way as in commercial practice?

Opinions are divided on this point. In our view the idea of government investment assets or capital should have a very wide sense and cover the entirety of durable consumer goods belonging to the government, with the exception of furniture and office equipment, administrative records and military material and supplies.

To include only public buildings, as does the O.E.E.C. "Standardised System of National Accounts", would inevitably lead to misreckoning in time or space comparisons of national income. For example it would suffice that the railways or the autostrades passed from government to private control or vice-versa, i.e. a simply legal change of ownership, for the value of the services rendered by a country's investment assets to be considerably modified, which is obviously contrary to economic reality.

§ 8 - *The integration of interest payments on the national debt in national accounting.*

Much has already been written about this problem. The difficulties encountered arise, as indicated above, from the existing differences of opinion regarding the national debt.

a) *The national debt considered as a consumption debt.*

The view held by some people, notably certain English-speaking authors, is that the national debt was incurred to meet certain liabilities, such as war expenditure and temporary Social Security deficits, and has little or no backing in the form of productive assets. The government debt therefore does not promote an increase in national capital but only an increase in financial credits. These authors consequently say that interest on loans to the government should be treated as the payment of interest on a consumption debt, which was discussed in § 3.

b) *The national debt considered as a mixed debt.*

Other authors consider national borrowing as a mixed debt used just as well for investment expenditure as for consumption expenditure. In this case the interest "y" on the productive national debt is treated as the payment for a factor of production, whilst the interest '×' on the unproductive debt is treated as a transfer payment. We then have:

Government production account

D	C
Interest on the productive debt ...... y	
Contribution to the N.I. ... y	

Government appropriation acount

D	C
Interest on the unproductive debt ...... ×	

But there is one objection to this method. It necessitates the breakdown of the national debt into the debt incurred for investment purposes and the debt incurred for consumption purposes, which is practically impossible. We therefore propose the following variant, which was suggested in Paris in September 1951 at the conference on national accounting organised by the O.E.E.C.

The whole of the interest on the national debt should be treated as interest on a consumption debt, but, as compensation, the imputed income of government assets should be considered as a contributive part of the national income.

The result is the same as that which would be obtained from the preceding method, consisting in taking the interest on the productive national debt as an expression of imputed income.

In fact:

$$\text{Imputed income of government assets} = \text{Value of government assets} \times \text{Weighted average rate of the national debt} \tag{1}$$

$$= \text{Value of government assets} \times \frac{\text{Amount of interest on the national debt}}{\text{Amount of the national debt}} \tag{2}$$

$$= \frac{\text{Value of government assets}}{\text{Amount of the national debt}} \times \text{Amount of interest on the national debt} \tag{3}$$

The second part of the third equation corresponds to the interest on the productive government debt.

There is therefore an affinity between the amount of the imputed income of government assets and that of the interest on the national debt incurred for investment purposes. (This shows, incidentally, that in the framework of our system these two concepts coincide). But the variation which we have just expounded has the advantage of dispensing with the break-down of the national debt into productive and unproductive debt.

The interest payments on the national debt would therefore appear as follows in the government sector account of the national accounts:

Government production account

D	C
Fictitious charge pertaining to the imputed income of government investment assets .... y	
Contribution to the N.I. ... y	

Government appropriation acount

D	C
Interest on the national debt ... X + y	Imputed income of government investment assets ...... y

BRITISH PUBLIC DEBT IN THE TWO WORLD WARS

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I.

National debts are war legacies. The British public debt although it did not originate in a war, expanded as a direct result of wars. [1]) But it is because of the two world wars that there has been a revolutionary change in the financial position of the United Kingdom, in the size of the public debt and its effects on the economy as a whole.

In this paper it is proposed to examine the public debt during the 1914-18 war and the 1939-45 war, and finally to compare the loan policies and the degrees of success achieved. Since the technique of borrowing during the first world war has been already studied elsewhere, [2]) the chief emphasis of this article has been placed on the public debt during the second world war and the account of the debt in world war I has been presented largely in order to provide a background and basis of comparison.

II.

BORROWING DURING THE FIRST WORLD WAR.

In 1914 the total public debt stood at £695 millions. [3]) The outbreak of hostilities necessitated a large and immediate expenditure. There was no alternative but to fall back on loans, even though that meant an enormous increase in the public debt.

1. DOMESTIC FINANCE.

(a) *Long Term Finance.* Large long term loans were characteristic of the world war I finance, but in its early stages the war was mainly financed by the Treasury Bills and Ways and Means Advances. However as the floating debt was rapidly growing the government finally decided to issue the first war loan in November 1914. [4]) The amount was fixed at £356 millions and was soon oversubscribed. For subscriptions Mr. Lloyd George, the then Chancellor of the Exchequer preferred the support of the banks to the application of the private investors. The heavy participation of the banks, the facilities offered to the subscribers and the "borrow to lend" policy were partly responsible for the inflationary pressure which was to be felt acutely troughout the war.

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[1]) a. The government's debt to the Bank of England, following the creation of the Bank is regarded by E. L. Hargreaves as the original element in the perpetual British debt. The beginning of the funded debt may therefore be dated from 1694.

b. C. N. Kaldor, History of the National Debt, Appendix C in W. H. Beveridge, Full Employment, 1945.

[2]) Hirst F. W. and Allen, British War Budgets, 1926. Mallet B. George C.D., British War Budgets (1933).

[3]) Interest payable on the public debt of £695 millions was £19 millions representing 0.84% of the national income at current prices. £2266 millions. P. 205, Table VII.

[4]) P. 203, Table I.

Neither was the Second war loan, offered in July 1915 much more successful in reducing the purchasing power of the public. Since it carried extensive privileges for the conversion of former securities, less than two thirds of the £900 millions issued represented new subscriptions.

Government expenditure had been increasing steadily and during the financial year 1916-17 exceeded revenue by £ 16 millions. The purpose of the Third war loan floated in January 1917 was to cover this deficit. An interesting feature of the loan was the setting aside of $\frac{1}{8}$th. of 1% each month (until £10 millions had been accumulated) for the creation of a Sinking Fund, with the purpose of purchasing bonds when they fell below the issue price. This was a new development in the history of English borrowing.

The Third War Loan was a great success; not only were the terms attractive, but it provided a convenient outlet for investors who were anxious to dispose of some of the short dated paper which they had accumulated during the lengthy interval between the longterm issues.

(b) *Medium Term Finance*. The gaps between the flaotation of the large war loans had been filled by smaller issues, among others the Exchequer Bonds, which were medium term securities issued on "tap" from 1915 onwards and which became the first method of continuous borrowing.

Similarly from October 1917 to May 1919 National War Bonds had been continuously on sale with the object of securing the "real" savings of the community.

But is wat not until the time, when Mr. McKenna became the Chancellor of the Exchequer that the Loan policy had been appreciably altered and offers to the public were so designed as to attract private and also the small investors, the latter being a class hitherto ignored in the war finance. The first series of war savings certificates appeared in February 1916[5]) followed shortly by the issue of war expenditure certificates.

The certificates were a success largely due to the propaganda and publicity campaign of the National Savings Committee which had been inaugurated at the time when the sale of the National Savings Certificates was first launched. The National Savings Committee was destined to play an even more important part during the second world war.

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[5]) War Savings Certificates issued at 15/6 repayable after 5 years at 20/-. The accumulated interest was were to be exempt from Income Tax.

War Savings Certificates issued at a fixed rate of discount, subject to variations, repayable in two years from the date of issue.

(c) *Short Term Finance.* The increase in the long term debt was accompanied by an expansion of the floating debt; throughout the period a considerable amount had been borrowed on the short term securities. The average rate on the Treasury Bills was 4%, while on the Ways and Means Advances which in fact were an overdraft at the Bank of England, the Treasury was able to obtain temporary advances based large on 4½% and 4% time deposits of the leading banks.

Foreign Aid.

During the 1914-18 war foreign aid came still in the traditional form of loans from neutral countries and U.S.A. Funds advanced by America constituted a large part of the foreign debt. ⁶)

The position at the beginning of the war when U.S. were in debt to U.K. had been quickly reversed. By 1915 the American debt had been practically wiped out and in October of that year an Anglo-French loan mission was sent to U.S. to negotiate for a large American loan and to establish credit in New York against future purchases. As the fall in the sterling exchanges continued it became necessary to conclude a settlement and for the time being a small unsecured loan was granted by the American Treasury.

During the following year two British loans were floated in America and the third one was issued in January 1917, but deposit of the British owned securities with the American authorities was required.

The demand for the deposit of securities resulted in a plan by means of which the New York exchange could have been controlled by the use of the English owned American stock borrowed by the British Treasury. With the entry of U.S.A. into the war in 1917 the U.K. Government no longer needed to maintain the rate of exchange by the realisation of foreign holdings of securities; also the 1917 loan was the last one to have been offered to the American public, from the day of declaration of War by U.S.A., all advances were made directly by the American Treasury at a rate of interest current at the time on the loans floated in the States.

Default by the United Kingdom on this war debt resulted in legislation which made it impossible for Britain to obtain credit in America, when the Second World War broke out. It is partly due to this fact that during the 1939-45 period there were no foreigin loans and

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6) P. 203, Table II.

the study of the public debt during that period is mainly concerned with the domestic loan finance.

III.

BORROWING DURING THE SECOND WORLD WAR.

The types of securities that proved successful as means of raising funds during the world war I reappeared during the issues of the 1939-45 period. But during the world war II the Treasury secured advances on very much more favourable terms.[7]) This was made possible by the cheap money policy which has been pursued during the second world war, control of investment and consumption.[8])

Long Term Finance.

In contrast to the first world war when a greater stress was laid on long term finance, world war II was mainly financed by medium and short term securities.[9]). During the 1939-45 war there was only one long term loan preceded by a conversion operation which was designed to prepare a way for it.

On 17th. January 1940 the conversion was announced of £350 millions of 4½% Conversion Loan on 1st. January into 2% Conversion Loan 1943-45. An interesting aspect of the conversion operation was the fact that it was not accompanied by a cash issue. Contrary to the general expectation the Treasury decided not to combine this conversion with any attempt to get fresh money from the banking system or the institutional investors. This could be taken to signify that the authorities had complete confidence in the response to the conversion offer.

The 2% issue 1943-45 was not generous in itself, but with its five years maximum currency it was an ideal medium of investment for the banking and discount market funds. In any case the holders of the 4½% Conversion Loan could hardly have expected any better opportunity for reinvestment if they had selected to take payment.

It had been obvious for a long time that the Treasury would call in the issue on the 1st. July which was the first optional date. The timing of the offer was an indication that the Chancellor wanted to prepare a way for a cash loan and showed the determination to bor-

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[7]) P. 204.

[8]) P. 197.

[9]) issued between 31.3.39 and 31.1.45, the £14,300 millions were made up as follows:—

Small Savings	22% of the total
Larger Loans offered to the public	33% ,, ,, ,,
Floating debt in hands of the market	31% ,, ,, ,,
Extra Budgetary funds	6% ,, ,, ,,
Various other securities	8% ,, ,, ,,

Source: Hansard Vol. 410. 24.4.45.

row at the cheapest possible rate. The conversion therefore came to be regarded as the "overture" to the first war loan.

The first war loan in the form of 3% stock 1955-59 was eventually issued after a careful psychological and monetary preparation in 1940. The shortness of the time in which the money was to be subscribed led some people to avail themselves of the bank facilities temporarily, but as it was unlikely that they would go into a permanent debt to the bank for the purposes of investing in a 3% loan, therefore the use of credit was not viewed with alarm by the Treasury.[10]

It had been possible to dispense with the initial discount and to issue the loan at par, in view of the market conditions, which would have also permitted an issue to have been made at 2½% for a shorter period, or for a much longer one at 3½%, but this would have meant an admission by the Treasury that there was no possibility of a future reduction in the rate of interest. The new issue indicated that the government had no intention to pay more than 3% and that it was going to borrow for as long a period as could be secured on those terms.

Medium Term Finance. At the very beginning of the Second World War the government reintroduced what had proved to have been a successful and reliable method of risine funds, namely the National Savings Certificates.[11]

The other medium term security to be reintroduced was the National War Bond. 2½% National War Bonds 1945-47 were offered for sale in 1940 and were obtainable on "tap". This first series of "tap" Loans of the second world war was similar to the 1915-19 issues, the difference being that the first issue of bonds had a five years' life and was at 5%, while the new war bonds reached maturity in 6-8 years and fitted closely with the structure of the low interest rates which the government established for War II loan policy.

The investors were given this time a wider choice of securities.[12]

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[10] 10% was payable on application and the whole purchase price had to be paid within one month.

[11] Issued at 15/- each increasing in value to 17/6 at the end of 5 years.
increasing in value to 20/6 at the end of 10 years.

[12] As in the case of the United Kingdom, so too in the United States there was a marked difference in the methods of finance of world war I and II. In both countries there was an effort on the part of the Treasury to fit its securities to the needs of different classes of investors.

In the United States during world war I, a single security-liberty bonds were offered to the public. During world war II there were 7 war loans and 1 victory loan each comprising a varied "basket" of marketable and non-marketable securities.

Both countries during world war II relied to a great extent on the short term securities.

Ref. H. C. Murphy. Public Debt in War and Transition 1950.

To those who were not liable to the standard rate of Tax, the new type of Bonds — the 3% Defence Bonds — had a special attraction since the Tax on them was not deductable at source.[13])

Shortly before the end of hostilities a decision was taken to issue $1\frac{3}{4}$% Exchequer Bonds 1950. This offer was important in so far as it indicated the fact that the Treasury had realised that the war was drawing to an end and that in the future the industry and the banks would be less inclined to favour securities with a full decade of life.

Short time Finance. Troughout the war the Government relied to a very large extent on the floating debt, thus securing advances at very low rates.[14]) The greatest expansions took place in the Treasury Bill issue. The Ways and Means Advances had also increased considerably and in addition a new type of a short term security had been offered.

Innovations of the Second World War. Two new components were introduced into the composition of the public debt; one had as its object the securing of advances from the banks, the other was a device for obtaining funds from the public. Also a new scheme for "deferred payment" advocated by Lord Keynes was adopted in a modified form.[15])

Treasury Deposit Receipt. On 7th. July 1940 the Treasury Deposit was added to the floating debt and became an important method of short term borrowing, though the volume remaining always well below that of the Treasury Bills. This new system of borrowing the bankers' cash surpluses at, $1\frac{1}{8}$% per annum, though not similar in effect, in form resembled the Ways and Means Advances. In practice the T.D.R. was almost identical with the T.B., the difference being that the former had a six month duration while the latter had a three month run. The T.D.R. however, could have been withdrawn before maturity and encashed at par at any time during the currency of the deposit, if the banks wished to reinvest the proceeds in a long term issue.

Surprise was occasioned that the T.D.R. should have been substituted for the T.B., since both served the same purpose of filling the gap during the seasonal fluctuations of revenue and expenditure. The reason for abandoning of the T.B. in favour of the T.D.R. was that the new method was an effective and convenient form of borrowing, establishing a direct contact between the Treasury and the banks, thus eliminating the traditional status of the discount market as an intermediary between them.

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[13]) 3% Defence Bonds first issued in 1939 matured in 7 years; for subsequent issues the period was extended to 10 years.

[14]) Table IV, p. 203.

[15]) Lord Keynes: How to pay for War (1940).

Tax Reserve Certificates. The other innovation of the Second World War was the issue on 22nd. December 1941 of the Tax Reserve Certificates to the public with the object of encouraging savings over a period of time, to meet the tax liability when it fell due. The Certificates were issued in the multiples of £2 and payment in full was to be made on the application. Both the principles and interest was charged to the consolidated account. For the purpose of the Trustee Act 1921, the Certificates were government securities. The Chancellor announced that it was contrary to the wishes of the government that subscriptions to the Tax Reserve Certificates should be financed by borrowed money. Banks complied with the Chancellor's wishes and refused to lend funds for the purchase of the certificates. They could be tendered together with the accrued interest in payment of certain taxes or contributions or, if they were not so tendered and the holder wished to recover cash, he could receive repayment within ten days of lodging of the certificates, in such a case however forfeiting the accrued interest. The interest on the certificates was allowed for each complete period of one month and calculated at the rate of 1 % per annum. It was exempt from Income Tax, Sur Tax, National Defence Contributions and Excess Profits Tax. The Tax Reserve Certificates proved to be very successful.

Post War Credit Certificates. It can be claimed that on the whole the public response to the government issues was highly satisfactory. When the war broke out anxiety was expressed that voluntary savings would not be forthcoming and for this reason Lord Keynes advocated a plan for forced savings, known as "the Deferred Payments Scheme".16) Only a very modified version of Lord Keynes' proposals was adopted in the form of the Post War Credit Certificates in relation to the Income Tax. They were introduced by the Finance Act of 1941 and entitled a tax payer to a refund after the war at an indefinite date of a part of the sum he had paid in taxes during the war.

"War Weeks", National Savings Movement. The fact that funds were subscribed to the government securities on such a large scale is undoubtedly due in a large measure to the efforts of the National

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16) Lord Keynes: "How to pay for war" (1940). Under the "Deferred Payment Scheme" a part of a person's income that had been taxed away was to be regarded by the Treasury as a "compulsory saving" and credited as a deposit in his name, with the Post Office Savings Bank at 2½%. It was to be blocked for the duration of war, thus effectively reducing public demand — and was to be made free by a series of instalments once the purchasing power began to fall.

The credit certificates were an important part of the anti-cyclical policy.

Savings Movement. The National Savings Committee was not an innovation of the 1939-45, having been established during the first world war, the "War Weeks" however that were organised by the Committee during the second world war, were a novel feature of the war finance. Their object was to strengthen appeals for savings made by the National Savings Movements.

War Weapons Week in 1940 was the first of the series of special weeks. In the mind of the public the memory of Dunkirk was fresh, accordingly the purpose of the campaign was represented as one of raising money to make good the losses of equipment sustained during the war.

The pattern for the "weeks" was similar. The armed forces co-operated, staging parades and providing exhibits where possible of the equipment for which the funds were said to be raised.

In the following year, the "Warships" week campaign was launched on the same lines as the first "week". It started in October 1941, after the fateful summer when all attention had been focused on the navy fighting desperately on the Atlantic to enable supplies to flow from America to Great Britain.

The third of the savings drives was organised in the Spring of 1943, when night after night allied bomber flew on operation over Berlin. This campaign was held in honour of the Royal Air Force and was called Wings for Victory Week".

The last campaign to be held during the war was the "Salute the Soldier Week", at the time when landing crafts were descending on the Normandy beaches.

As the special weeks had been surrounded with glamour and a great deal of publicity, one is likely to attach too much significance to them. But there is no doubt that they were responsible for an increase in the "voluntary Savings" though not of course by the actual amount of the various "targets", which included some anticipatory and eventually temporary savings on the part of individuals and some switching into government securities from other forms of reserve holdings.

Foreign Aid. No picture of the public debt during the Second World War would be complete without reference to the aid from abroad, which took the place of the foreign loans. During the 1914-18 war, foreign loans were an important component of the public debt; as already said during the 1939-45 war there were no foreign loans in the old sense of the word.

British foreign liability took the new form of the Sterling Balances which may be defined as holdings by the Sterling Area and by some countries outside it, of short term debt by means of which during the war a continuous flow of supplies was obtained by Great Britain on the terms of deferred payment.[17]

Canada offered loans free of interest and assistance from U.S.A. after "cash and carry", was from March 1941 on the basis of "lend-lease", or "Reciprocal Aid", as it was sometimes called and described by Sir Kingsley Wood as, "a great new system characteristic of this war... It rests on the principle that in common war all shall give all they can to the common task."[18]

IV.

COMPARISON OF THE DOMESTIC LOAN FINANCE DURING THE TWO WARS.

(1) *Factors influencing financial and monetary policy.*

When comparing the fiscal and monetary policies pursued during the two wars it becomes obvious that a far greater measure of success had been achieved in the Second World War. Several circumstances account for this happening.

In the first place, at the beginning of the 1914-18 war the general belief was that it would be a war of short duration. Indeed Lord Kitchener was regarded as unduly pessimistic when he estimated that it might continue for three years. Lloyd George, at the time Chancellor, clung to the prevalent belief that the war would be over in a few months and shaped his policy accordingly.[19] By contrast with this under-estimation, in 1939 the War Cabinet based its policy on the assumption that the war would last three years or more.[20] This more realistic attitude of the Second World War was itself responsible for a policy which allowed scope for planning and marking out of policies, whereas the "ad hoc" arrangements in the First

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[17] British external liability by areas:—
outstanding on 31st. December, 1945.

Sterling Area		
Dominions (excluding Canada)	£ 481	
India, Burma, Middle East	1929	
Other Sterling Area Countries	561	
Total Sterling Area	2971	
North and South America	519	
Europe and dependencies	273	
Rest of the World	62	
Total external liabilities source:—		Cmd.7099

[18] Source:— Hans. vol. 388. p. 937.

[19] Mr. Lloyd George in his second budget gave two alternative estimates, one based on the assumption that the war will be over by 31.9.15, and the other that it may continue.

[20] W. K. Hancock and M. M. Gowing. British War Economy. ch. II.

World War were more of the nature of "stop gaps" than of deliberate financial measures forming part of a wider programme.

Secondly it must be remembered that in the 1914-18 war the Treasury in Britain had no experience of the financial problems which arise in a world war. Consequently the method of "trial and error" was the only one which was in practice possible. In 1939 however the Treasury could and did gain from the lessons learnt in 1914-18 war.

Thirdly, the reaction of the City to the news of war was very different in 1914 from what it was in 1939. The outbreak of the First World War caused panic in the City and the money market was completely dislocated. It was not until October 1914 that the end July settlement was completed and not until January 1915 did restricted dealings take place. But in 1939 the financial market was prepared for an emergency and the "House" resumed business after being closed for four days, two of which had been necessitated by the evacuation programme so that in fact the market was given just two days to adjust itself to the war conditions. The absence of the time lag in 1939 made possible a more immediate tackling of the problems in hand. At the beginning of World War I as a result of the dislocation of the money market the Treasury had to rely largely on the banks for advances. The current belief that the war would be a short one made the policy of credit creation slightly less objectiony able than it would otherwise have been. In 1939 however the government, determined to keep the inflationary pressure low, refrained as far as possible from borrowing from the banks, and in this endeavour it was reinforced by the speedy adaptation of the City to the new conditions.

Fourthly, during the 1914-18 war for a considerable length of time the government clung to the policy of "business as usual"; in the 1939-45 war a rapid change over from the "free" to the "controlled" economy was affected. This difference in approach was in a large part responsible for the greater measure of the success of the financial policies achieved during the Second World war. In the 1939-45 war by the rationing of consumption goods and the imposition of price ceilings which prevented competitive bidding, the accumulation of savings was encouraged. This, coupled with speedy control of the investment market resulted in a much more satisfactory response of the public to the government issues than could have been hoped for under the "free economy" conditions prevailing during the early stages of the First World war.

During both wars the government had to rely on loans to finance its expenditure, but because of the rigorous taxation policy adopted from the very beginning of the second world war loans represented a very much smaller percentage of the Total government income during the 1939-45 war than in the 1914-18 war.[21])

(2) *The nature of the loans.*

Perhaps the most striking difference which emerges from the examination of the nature of the loans launched during the two world wars lies in the relative importance of the large long term loans. In the world war I three such loans had been floated and were relied upon to provide the bulk of the necessary funds.[22]) In world war II however, with the exception of the 3% war loan 1955-59, the Treasury placed reliance on "tap" issues and borrowed on medium and short term securities maintaining a fairly stable ration of one to one. Also a greater variety of securities was offered and the needs of a small investor were more fully taken into account than during world war I.

(3) *Difference in terms of borrowing.*

The terms of borrowing during the second world war were more favourable than those on which the Theasury had been able to secure advances during the first world war. This improvement is to be accounted for by the introduction of strict controls and the floating debt and the general credit policy pursued during the 1939-45 period.

The failure to recognise the advantages of the "controlled" economy in a time of emergence and to bring quickly into operation an effective system of controls made the Treasury's task of borrowing funds more difficult and less successful during the first world war than during the second world war.

To get command over resources during the 1914-19 period, the Treasury had to use great ingenuity in issuing the loans that would appeal to the public and institutional investor.

During the 1939-45 war increase in consumption at the expenses of savings had been made relatively unattractive by the rationing system, while by means of capital market controls the investor was left with practically no other investment opportunities than in the government issues. Consequently the Treasury was in a position to adopt the "take it or leave it" attitude and did not have to go out of its way to make the loans attractive in order to secure advances.

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[21]) During the World War II Government borrowed 51.2% of the total amount required to finance the expenditure as compared with 71.4% during the world war I. Table V, p. 204.

[22]) 3½% War Loan 1925-28.
4½% War Loan 1928-45.
5% Taxable Bonds 1929-42.
4% Tax free Bonds 1929-42.

(i) *Facilities offered* — During the world war I in order to attract investors to the Treasury issues all the possible facilities were offered to them. Subscriptions lists were opened for a long time and the payments were spread out over a long period, the shortest being four months for the 1914 War loan. In contrast to this, the application lists for the only long term loan of the second world war were kept open for a short time and the whole of the purchase price had to be paid within one month. In the case of the other issues the Treasury preferred to rely on "tap" issues.

Also during the Second World war no such credit facilities were available as had been offered during the first world war by the banks to those investors who wished to subscribe to the government issues. In 1914 the Bank of England and later Joint Stock Banks announced that they were prepared to lend on the security of the first war loan up to a period of three years without a margin at 1% under the current Bank Rate, also the banks offered to lend to subscribers to the third war loan, including "strangers" who had no bank account.

(ii) *Issues at a discount* — The facilities offered to subscribers had not been a sufficient inducement to investors and to make the loans more attractive during the 1914-18 war Treasury adopted the policy of issuing bonds at a discount.

During the 1939-45 war the conditions prevailing at the market made it possible to dispense with the initial discount and to issue the government securities at par.

(iii) *Rate of Interst* — The most outstanding difference however in the terms of issues of the two world wars lay in the rate of interest at which the securities had been offered.23) World war I was a "five per cent war", World war II was a "cheap money" war, with interest rates ranging from just over 1% on short dated paper to 2.5%-3.2% on the medium term securities and war certificates. This remarkable achievement of the world war II has been neatly summed up by Sir Kingsley Wood — "during the war we have stabilised the general complex of interest rates at a level so low as would have been thought impossible by anyone who merely based himself on the experience of the last war, we have developed new technique in those matters and have revolutionised public opinion as to what are the fair rates for the government to borrow." 24)

The pursuit of the cheap money policy during the second world war had been made possible by controls which reserved the capital market for the government loans and also because a variety of sources had been tapped, and fairly liquid securities of the kind the in-

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23) Table III-IV, p. 204.

24) Sir Kingsley Wood — Hansard Vol. 388 p. 151.

vestors wanted were offered to them in the form of medium and short term bonds.

Through the government propaganda campaign it was made clear to the investors that because of the war private issue of capital had to be restricted and that there was practically no alternative but to invest in the government bonds. At the same time the Treasury indicated that no advantage could be derived from withholding subscriptions to the current issues in the hope of a higher return on the later ones, since it was the policy of the government to maintain the low interest rates.

A requisite of the cheap money policy is that a sufficient volume of liquidity be provided to weaken savers' resistance to investment in the securities with a low rate of interest. During the world war II sufficient volume of liquid assets had been provided and the liquidity preference was reduced to such an extent that even the low yield in the government securities became relatively attractive. Rather than rise the interest rate on the bonds with a long term maturity the Treasure preferred to borrow on medium and short term securities and therefore at lower rates.

This is in contrast to the world war I policy of long term loan finance at the higher rates.

(4) *The effects of the different loan policies of the two world wars*

The loan policy of the second world war had been more successful in so far as it war responsible for a lesser degree of inflation and a smaller debt burden in the post war period.

Unfortunately figures cannot be given to show the amount of subscription to the government issues that came out of real "voluntary" savings during the two world wars. However because of the controls which encouraged savings, offers made to small savers (whose importance was only recognised during the later stage of the 1914-18 war) and the limited credit facilities, it is safe to assume that a much greater proportion of investment funds came from genuine savings during the world war II than during the world war I.

Consequently, the loan policy of the 1939-45 war was responsible for a greater reduction in the public's purchasing power, thereby decreasing the inflationary pressure which had been very strongly felt during the 1914-18 war.

During the world war II because it had been possible to dispense with initial discount and to issue securities at par there was a close correlation between the funds actually received and the additional accumulation of the public debt; such a parallel ratio was lacking during the world war I.

Also the cheap money policy pursued during the second world war resulted in a relatively smaller debt service burden than that of the first world war.[25]

V.

THE BURDEN OF THE BRITISH WAR DEBT.

In discussing the burden of the public debt we have to distinguish between external and internal debt. The former is a real burden; in the latter case it is a transfer burden that has to be considered.

The British external debt is relatively small as compared with the total public debt. It is the transfer burden of the internal public debt that is of a more serious nature in the case of the United Kingdom.

In estimating the burden of the internal publict debt three considerations have to be taken into account:—

(i) trend of the general price level.
(ii) rates of interest on government securities.
(iii) distribution of debt holdings.

With the help of statistical analysis the following conclusions can be arrived at:—

(1) After both wars the trend of the general price level on the whole was in the upward direction. With rising prices the money burden of the public debt was decreased.

(2) The cheap money policy of the second world war reduced the cost of the debt service and consequently the transfer burden.

(3) Finally on the basis of estimates of the public debt holdings it appears that a large portion of the British public debt is in the hands of private holders [26]. Since most of them belong to the income tax paying class they provide in taxes the greater part of the funds required for internal payment on the Treasury stock i.e. pay the interest rate as if it were to themselves, therefore the transfer burden is mitigated.

The new light thrown on the public debt policy by the Keynesian theory is perhaps responsible for the relative lack of comment on the subject of the burden of the public debt in the postwar economic literature as compared with that of the interwar years. The question of the "burden" lost its importance as it came to be realised that the public debt was not a subtraction from the national wealth, and the internal interest payment did not result in a diminution of the national income.

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[25] Table VII, p. 205.

[26] Estimates of public debt holdings, "Economist", 8.4.1950.

Not only many of the arguments against borrowing had been proved to have been based on the wrong assumptions, but it has been demonstrated that a public debt policy may perform a useful function within the framework of the national economy. [27])

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[27]) A. Lerner. "Burden of the National Debt" in Essays in Honor of A. Hansen 1948) also J. Meade "On Mr. Lerner" E.J. 1945.

TABLE I

LONG TERM LOANS

Date of issue	Type ofsecurity	Issue price	Rate of interest	Maturity date
1914 Nov.	1st. War Loan	95	3½ %	1925—28
1915 July	2nd. War Loan	100	4½ %	1945 option to repay 1928 or after
1917 Jan.	3rd. War Loan	95	5 %	1929—42
	3rd. War Loan (Tax free bonds)	100	4 %	1929—42

MEDIUM TERM LOANS

a. *Exchequer Bonds:*

1915 Dec. 5 % bonds redeemable 1.12. 1920 at par
1916 June 5 % bonds redeemable 5.10. 1919 at par } or
5.10. 1921 at par
1916 Sept. 6 % bonds redeemable 1.62. 1920 at par
1917 April 5 % bonds redeemable 1.10. 1919 at par } or
1. 4. 1922 at par

option of the holder to choose between the dates.

b. *National War Bonds series:*

Type of securities	Repayable at	Dates of redemption		
		1917 series	1918 series	1919 series
5 % taxable	102	1.10. 1922	1.9. 1923	1.9. 1928
5 % taxable	103	1.10. 1924	1.9. 1925	—
5 % taxable	105	1.10. 1927	1.9. 1928	1.2. 1929
4 % tax free	100	1.10. 1927	1.9 .1928	1.2. 1929

TABLE II

BRITISH LOANS RAISED IN THE U.S.A. SINCE THE BEGINNING OF THE WAR TO APRIL 1917

Date of issue	Nature of	Amount (million)	Issue price	Rate of interest	Date of maturity
1915 Oct.	British portion of Anglo-Franch loan noncollateral.	250	98	5	15. Oct. 1920[1])
1916 Sept.	2 yrs. collaeral note	250	99	5	1. Sept. 1918
1916 Oct.	3 yrs. collaeral note	150	99¼	5½	1. Nov. 1919
1916 Oct.	5 yrs. collaeral note	150	98½	5½	1. Nov. 1921
1917 Jan.	1 yrs. collaeral note	100	99½	5½	1. Feb. 1918[2])
1917 Jan.	2 yrs. collaeral note	150	99	5½	1. Feb. 1918[2])

(1) Convertible at an option of the holder into 4½ % bonds repayable not earlier than 15 years from the date of issue and not later than 25 years.

(2) Convertible at an option into 5½ % bonds maturing in 20 years.

TABLE III

INTEREST RATES ON VARIOUS LONG AHD MEDIUM TERM SECURITIES DURING THE TWO WARS

Type of security	1914—18 %	1939—45 %
WAR LOANS)-		
1925—28 loan	3½	
1925—45 loan	4½	
1929—47 loan	5	
1929—42 loan	4	
(tax compound)		
1955—59 loan		3
Conversion loan		2
Savings Bonds		3
Defence Bonds		3
National War Bonds	5	2½
Exchequer Bonds	5	1¾
	6	

TABLE IV

INTEREST RATE ON SHORT TERM SECURITY

Treasury bonds			
1914	3. 0.2 av. %	1939	1.4.3 %
1915	4. 5.0 av. %	1940	1.0.6 %
1916	5. 0.0 av. %	1941	1.0.1 %
1917	4. 7.6 av. %	1942	1.0.0 %
1918	3.10.0 av. %	1943	1.0.0 %
		1944	1.0.0 %
		1945	1.0.0 %

TABLE V

SOURCE OF WAR FINANCE

Year	Revenue as % of	Loans as % of	Year of war	Year	Revenue % of	Loans as % of
1914	surplus		1st.	1939	66	34
1915	40	60	2nd.	1940	38	62
1916	22	78	3rd.	1941	40	60
1917	26	74	4th.	1942	46	54
1918	26	74	5th.	1943	50	50
			6th.	1944	54	46
			7th.	1945	55	45

Source: B. Mallet and C. O. George British Budgets. A.N.D. Cmd. 6784.

TABLE VI

BRITISH PUBLIC DEBT.

	World War I		World War II	
On 31st. March.	1914	1918	1939	1945
Funded debt	586.718	317.730	3364.603	3.364.119
Terminable Annuities	29.552	21904.	13.549	13.637
Unfunded debt:	33.500	5.532.217		
Floating			920.310	6.116.125
Other			2832.289	11.635.904
TOTAL INTERNAL DEBT	649.770	5.871.851	7130.752	21.129.785
External debt		**	1032.427	236.106*
Total Dead Weight Debt	—		8163.180	21.365.890
Other capital liabilities	56.384	49.245	137.965	142.948
Aggregate Liability of the State	706.154	5.921.096	8301.145	21.508.839

* Excluding external debt arising out of the World War I.

** The exter nal debt in included under the various headings. According to Colwyn report (CMD 2800) it amounted to £ 1365 M at 31. 3. 1919.

Source: National Debt Retunes.

TABLE VII

DEBT SERVICE RATIO (£m)

Year	(1) Interest on Debt.	(2) Total Government Revenue	(3) (1) As a percentage of (2)	(4) Total National Income”	(5) (1) As a percentage of (4)
1914	19	198	10	2266	0.8
1919	267	889	30	5461	0.5
1939	217	1006	21	5037	0.4
1946	472	3401	14	7974	0.6

” Source – J. Prest. National Income ED 1948.
Pember & Boyle. British Government Securities in the 20th Cent.

LA DETTE PUBLIQUE DU ROYAUME UNI AU COURS DES DEUX GUERRES MONDIALES

PAR D. I. HEWELL

RESUME

I. Bien que la dette publique britannique ne soit pas née au cours d'une guerre, son accroissement est le résultat direct de guerres; c'est surtout aux deux guerres mondiales qu'est dû le considérable acroissement de la dette publique et la modification de l'ensemble de la situation financière du Royaume Uni.

Dans le présent article, on étudie l'accroissement et la composition de la dette et on compare les politiques d'emprunt suivies au cours de la première et de la seconde guerre mondiales.

II. Dans le chapitre qui traite de la technique de l'emprunt mise en oeuvre pendant la guerre 1914-18, on montre que la Trésorerie a surtout eu recours à de vastes emprunts à long terme et on signale l'importance qu'a eue l'aide de l'étranger et plus particulièrement celle fournie par les prêts américains.

III. Dans la chapitre traitant des politiques d'emprunt au cours de la guerre 1939-45, il s'agit surtout de la dette intérieure, les emprunts contractés à l'étranger n'ayant joué au cours de cette période qu'un rôle peu important.

Dans l'étude de la dette publique contractée au cours de la seconde guerre mondiale, on étudie les titres à court et à moyen terme qui ont fourni l'essentiel des recettes d'emprunt, et on décrit les deux types d'obligations entièrement nouveaux qui ont été émis.

IV. La comparaison des politiques fiscales et monétaires suivies pendant les deux guerres mondiales fait ressortir que les résultats obtenus ont été bien meilleurs pendant la seconde guerre mondiale que pendant la première. Cela peut être attribué à diverses circonstances.

(1) l'attitude plus réaliste adoptée pendant la guerre 1939-45 en ce qui concerne la durée des hostilités, et le „planning" d'une politique à long terme.

(2) l'expérience que la Trésorerie avait acquise précédemment en matière de finance de guerre.

(3) le fait que le marché de l'argent était prêt à faire face à une situation critique.

(4) l'instauration rapide d'une économie „dirigée".

Ces divers facteurs ont eu à la fois une influence sur la nature des emprunts et sur les conditions d'emprunt.

Le résultat en a été que pendant la seconde guerre mondiale (i) on a pu réduire les avantages offerts aux souscripteurs, (ii) on n'a pas dû émettre les emprunts en-dessous du pair et (iii) on a pu les placer à un taux d'intérêt moins élevé.

La différence la plus importante dans les conditions d'émission d'emprunt pendant les deux guerres réside surtout dans le taux de l'intérêt. La première guerre mondiale a été une Five Per Cent war (Guerre à 5 %); la deuxième guerre mondiale une Cheap Money war (guerre d'argent „bon marché").

Après avoir comparé les diverses politiques d'emprunt adoptées, on a essayé de dégager l'effet de ces politiques en ce qui concerne l'inflation et la charge de la dette publique: on soutient que, par rapport à la politique d'emprunt adoptée en 1914-18, celle qui a été suivie pendant la guerre 1939-45 a mieux réussi à réduire le pouvoir d'achat de la nation et a entraîné une charge de la dette publique moins lourde dans l'après guerre.

V. Le dernier chapitre de l'article traite de la charge de la dette publique du Royaume Uni, en tenant compte (i) de la tendance du niveau général des prix, (ii) des taux de l'intérêt, (iii) de la répartition des titres de la dette publique. De cette étude on a pu conclure que, bien que le volume de la dette se soit accru, la charge de la dette publique après la deuxième guerre mondiale est, proportionnellement, moins lourde qu'après la première. Mais tout le problème de la „charge" de la dette publique a perdu un peu de son importance, étant donné que les économistes tout comme le grand public se sont rendu compte que la dette publique ne vient pas en déduction de la richesse nationale et que le paiement des intérêts n'entraîne pas une réduction du revenu national.

BOOKREVIEW/CRITIQUES

Financial, fiscal and budgetary aspects of the development of underdeveloped countries: Report of the conference of the Institute of Public Finance held in London, Sept., 1951. Published by W. P. Stockum et Zoon The Hague.

This Report of the Seventh Annual Conference of the Institute is divided into three parts: (i) papers dealing with matters of definition and principle, (ii) studies of the experience of individual underdeveloped countries and (iii) a summary of the discussion on the papers, which in several instances takes the form of brief notes on countries not already touched upon. The whole is prefaced by a useful summary by Prof. Le Duc. Altogether 15 underdeveloped countries or groups of countries receive some attention; while the treatment in many cases is so sketchy as to be doubtfully worthwhile, for those interested in comparative experience there is usually something of interest to be picked up. The Report is partly in English and partly in French; there are inevitably some misprints, especially in the English sections, but in no case are they serious enough to make the meaning unclear.

The concept of the Underdeveloped Country, being, one may candidly admit, a euphemism for a poor country which the wealthier and more powerful countries feel an obligation to help, for a mixture of political, economic and humanitarian motives, is not succeptible to precise definition. All the contributors in the first part of the Conference notably spent much time in putting forward their own interpretation according to the aspect which they considered most important, and according to the type of underdeveloped country with which they had mainly come in contact. This led to a good deal of repetition, and talking at cross purposes.

Useful points in this connection were made by Mr Salant of the U.S. Council of Economic Advisors, for instance that balance of payments difficulties in themselves provide no criteria of the desirability of helping a particular country, and that an improvement in the terms of trade such as occurred in 1949/50 (amounting is some cases to 20 % of the national income) provides far more funds for development than would ever be likely to be available in the form of loans or grants from developed countries.

In the discussion M. Aemeye (Belgium) suggested two criteria of underdevelopment, which if they were candidly faced might do much to dispell fog. First there must be developable resources, secondly the country must be unable (through lack of savings, education, especially technical education and administrative experience or other cause) to develope the resources without help. If a country possesses undeveloped resources (as for instance is so abundantly the case with the U.S.A.) but can develope them itself as required, they can be regarded as a reserve. If a poor country has negligible developable resources (which is unfortunately so often the case) then it may well be desirable to extend to it aid, on political and humanitarian grounds, but this must be recognised as essentially something different from true development. It should often in fact take the form of facilitating movements of population to more favoured regions. To confuse the two problems can only in the end lead to dissappointment.

On the whole the papers concerned with the experience of particular countries form the more interesting section of the Conference. Outstanding contributions were made by Jean Valley (on Colombia), Max Horn (on the Congo-Belge and Ruanda-Urundi) and by André Postel-Vinay on the work of the Caisse Centrale de la France d'Outremer, especially with reference to French "Black" Africa.

The case of Colombia is interesting as that of a country which is already some way up the ladder of development, (it received of course much assistance from the U.S.A. in the interwar period), and is now working out plans of its own, although it still retains the basic characteristics of an underdeveloped country: overconcentration on particular lines, and shortage of an educated middle class. Like many other underdeveloped countries who are mainly endeavouring to finance their own development, Colómbia is torn between the desire for development which will pay, and the desire to reinsure itself against a cutting off of essential supplies such as occurred in the war. This desire for reinsurance (with which one cannot but have some sympathy) is the cause of much "waste" (from the purely economic point of view) in development programmes.

Of more than local interest is the account of the Colombian Institut de Fomento, whose functions are: (i) to undertake basic research into projects, (ii) to launch those which have passed the test, the Institut itself taking an equity interest in the appropriate Corporation), (iii) once the projects are running smoothly to transfer them gradually to private ownership. This method of development can profitably be compared with the French device of the corporation of mixed ownership, the public element of which prepares the basic economic overheads (rail and road communications, harbours, water and power) while the private element, in close cooperation, exploits the actual resources. Of related interest is the Belgian plan of making it a condition of a franchise that schools, hospitals and other "social overheads" shall be provided for the workers; in return the firm is lightly taxed, and (what is so often lacking elsewhere) has complete mobility guaranteed for its capital and profits.

These — and other — papers contain also much of interest on the basic problem of raising taxes to pay for development. It is characteristic of underdeveloped countries that the "public sector" is small and cannot easily be increased. In the relatively wealthy South American Republics it varies betwee 12 % and 16 % of the national income; in more primitive African conditions it does not exceed 8 %. There are formidable difficulties in the way of expanding it: on the one hand lack of administrative skill and reliability, on the other of mobilising even such wealth as exists. In this connection the experiments in direct taxation of Colombia, the Congo-Belge and other countries, are interesting. It is to be regretted in this — and in other respects — that no adequate papers were contributed on experience in British Commonwealth countries and territories.

The greatest profit of a Conference of this nature lies not in the papers contributed nor in the formal discussion, but in the informal exchange of ideas among the members, and this, unfortunately cannot appear in the Report. The Institute is to be congratulated however for having brought together so many with such wide experience which they could share with others in one of the most vital problems of the contemporary world.

URSULA K. HICKS

Angelos Angelopoulos: Planisme et Progrés social. Ed. Librairic Générale de Droit et de Jurisprudence. Paris 1953.

L'ouvrage de M. Angelopoulos contient un plaidoyer clair et chaleureux pour ce que l'auteur, ancien professeur à l'Université d'Athènes, appelle une planification démocratique.

Il distingue trois types de planification. *La planification intégrale* ou soviétique ne peut pas être mise en jeu dans les démocraties occidentales. *La planification libérale* comme on la trouve aux Etats-Unis d'Amérique et selon l'auteur aux Pays-Bas, est un „planisme" approprié aux pays capitalistes; il ne s'agit pas ici d'un plan coordonné de l'ensemble des activités de la nation, mais plutôt de l'élaboration d'un programme général, dont les idees directrices serviront de guide à la politique économique et sociale. Il n'y a ni nationalisation des grands moyens de production, ni contrôle déliberé de l'économie nationale. *La planification démocratique*

enfin — soit le système préféré par l'auteur — est destinée aux pays qui sont entrés dans la voie du socialisme démocratique. La Norvège, où le budget national est devenu — surtout depuis 1948 — un acte officiel et „l'expression d'objectifs détaillés de l'économie de la nation pour l'année à venir", s'est approchée le plus du système de la planification démocratique. Cependant, l'auteur croit qu'elle se trouve encore — comme d'ailleurs l'Angleterre — dans la phase des recherches et qu'elle sera obligée d'élaborer, tôt ou tard, une „planification démocratique" plus systématique. C'est ce dernier système dont M. Angelopoulos s'efforce de tracer les grandes lignes.

La planification démocratique est la synthèse de l'expérience acquise, réadoptée au cadre du régime du socialisme démocratique. Elle présuppose que la politique de nationalisation des grands moyens de production est déjà terminée et que donc un *secteur public* existe comprenant toutes les grandes entreprises industrielles et commerciales, qui ont acquis ou tendent à acquérir la forme du monopole de fait et présentent toutes les caractéristiques de la grande entreprise. A coté de ce secteur public on aura un *secteur contrôlé* englobant toutes les entreprises moyennes, qui, tout en restant en dehors du secteur public, doivent fonctionner sous le contrôle de l'Etat. Puis, il y aura encore le *secteur libre* lequel comprendra toutes les petites entreprises individuelles qui doivent fonctionner „suivant le prétendu système de la concurrence".

La planification démocratique, comme décrite par M. Angelopoulos, est basée sur le budget national, c'est-à-dire le compte national prospectif. En tête du planisme devrait se trouver un *Conseil Economique National* chargé d'établir les grandes lignes du plan et d'examiner ensuite le plan élaboré, avant qu'il soit ratifié par les Conseils des Ministres et par le Parlement. Le *Ministère de la Coordination Economique* aura la tâche d'élaborer le plan; parmi les services principaux de ce ministère il faut citer: le Service Central du Plan, le Service des Investissements, le Service de Gestion des Entreprises Publiques, le Service du Contrôle de l'Exécution du Plan et le Service des Recherches Scientifiques.

Dans la planification démocritique, dit l'auteur, la ratification par le Parlement ne donne pas au Plan la force d'une loi impérative comme dans les pays communistes. La ratification donne au Plan la forme d'un acte officiel qui fixe solennellement l'orientation de la politique à suivre. Les divers objectifs sont des buts vers lesquels doivent être dirigés tous les efforts de l'Etat. Par des mesures législatives, l'Etat intervient indirectement dans la vie économique pour faciliter la réalisation des objectifs fixés dans la Plan.

Voilà un bref exposé du planisme proposé par M. Angelopoulos. On trouvera les détails dans les chapitres VI en VII consacrés au plan économique, au budget national et aux conditions nécessaires au succès du planisme.

Dans les chapitres VIII/XVI l'auteur traite la nouvelle politique économique et sociale du „Welfare-State" basée sur la planification démocratique. Nous nous bornons à citer les titres des chapitres en question: plein emploi et chômage, mesures en vue de maintenir le plein emploi, développement économique et pays insuffisamment développés, développement économique et productivité, développement économique et investissements, le relèvement du niveau de vie et la sécurité sociale, le financement des dépenses publiques, la politique fiscale et sa fonction redistributive, la politique monétaire et la lutte contre l'inflation. Le chapitre XVII enfin est consacré aux comptes de la nation et à l'établissement du budget national et le dernier chapitre à la structure du revenu national et au rôle de l'Etat.

En général, on peut dire que pour ceux qui acceptent les principes socialistes de l'auteur, „Planisme et Progrès Social" est un guide intéressant montrant un planisme progressif. M. Angelopoulos a fait une étude approfondie de la littérature concernant le planisme; il cite plusieurs ouvrages de théoriciens bien connus ainsi qu'une multitude de rapports officiels et de plans économiques de divers pays. Il faut regretter seulement qu'il ne s'occupe que très peu de la technique de l'élaboration des plans. L'auteur considère la Norvège comme l'exemple le plus avancé de la planification démocratique et il dit que la technique du budget économique hollandais présente un intérêt particulier et constitue une contribution essentielle au problème du planisme. Or, on aurait pensé qu'il eût prêté plus d'attention aux méthodes scientifiques lesquelles, fondées sur les recherches des grands économétristes Frisch en Norvège et Tinbergen en Hollande, caractérisent la planification dans les deux pays mentionnés. Il faut reconnaître, cependant, que la méthode indispensable des comptes de la nation, qui forme une partie essentielle des méthodes norvégienne et néerlandaise, a été amplement traitée.

ED. VAN CLEEFF

THE INTERNATIONAL AND DOMESTIC FINANCIAL POLICY OF THE UNITED KINGDOM, 1953

BY C. F. CARTER

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The Conservative Government which took office after the election of October 1951 found that, in addition to pressing internal financial problems, it was facing a crisis in external finance made worse by the paralysis of policy during the election campaign. The new Government appeared genuinely surprised at the seriousness of the difficulties it found, and its members were unsparing in laying the blame on their predecessors; though in fact there was little that they should not have foreseen, and the "blame" for the balance of payments crisis could be laid on a right-wing Government in Australia as well as on a left-wing Government in Britain. After certain emergency actions, the new Government took time off to think; and the results of its thinking have become slowly apparent as acts of policy over the ensuing year and a half.

By the middle of 1953, the situation was indeed transformed. A steady recovery in the gold and dollar reserves had improved confidence in sterling to a point at which discussions of convertibility could relate to an early possibility, and not to a distant dream. The price level for consumer goods was almost stable; unemployment in most regions was low; many controls had been dismantled and rationing in part abolished. The Budget of 1953 lowered taxation, both direct and indirect. *Post hoc: ergo propter hoc* — with such a record the Government has had no difficulty in maintaining its popularity; for the first time for almost thirty years, the Government of the day has won a seat from the opposition at a bye-election.

In fact, however, the economic history of the last eighteen months is singularly difficult to unravel. Events have developed in ways which neither the Government nor their critics seem to have expected; policies which were a reasonable response to one set of circumstances have been maintained in quite different circumstances. Great political changes have influenced, and are still influencing, economic affairs. At such a time of confusion, what men *expect* is more important than what they *know;* and the history of the changes which have occurred is in part a history of changes in expectations.

But it is important to understand what has really been happening, and to see whether the improvement in Britain's affairs is due to good luck or good policy; whether our present buoyant state is a promise of better things to come, or a mere moment of illusion before we plunge again into trouble. It might for instance be disatrous, not merely for Britain but for the whole financial system of Europe, if temporary good fortune were to lead us to an unsuccessful experiment in convertibility. I therefore begin by discussing recent history and prospects in international financial relations, and then pass on to an examination of domestic finance. The present Chancellor of the Exchequer, Mr. R. A. Butler, the chief architect of British economic policy, is unfortunately not as lucid as his predecessors in expounding it to the public; and the annual "Economic Survey" has now degenerated to a bald account of the year past supplemented by some obvious remarks about the year in progress. To some extent, therefore, the course of British policy is a matter of conjecture rather than ascertained fact.

The international financial policy of the United Kingdom.

The strengh or weakness of sterling is determined, of course, by all the transactions taking place or expected to take place in it, and not simply by those of the United Kingdom. Let us first fix our attention on the transactions, whether with dollar or with non-dollar countries, which involve the use of gold or dollars, and so affect the most important part of sterling area reserves. The table on page 3 (based on Cmd. 8808, table 9) shows what has happened over the period 1950-52.

In 1951 both the United Kingdom and the sterling Dominions were importing goods liberally at high prices, while the dollar export earnings of the Dominions had already begun to decline with declining commodity prices. Large negative items consequently appear against A and D for that year; while a parallel movement is reflected in E, for a sharp worsening of the balance of the sterling area with the O.E.E.C. countries produced losses of gold in the E.P.U. settlements. These adverse movements, exaggerated in their effect on the gold and dollar reserves by the tailing off of E.R.P., produced speculation against sterling, which is reflected in item B. Exchange controls can prevent the overt movement of "hot money", but not all the equivalent changes in credit which can arise from decisions to speed up or to delay payments.

The reaction of the U.K. and the Dominions was the usual one for

Summary of Sterling Area "gold and dollar" payments, 1950-52

(£ million)	1950	1951	1952	1952 Jan.—June	1952 Jul.—Dec.
Transactions with Dollar area					
A) Balance of U.K. current transactions...........	— 89	— 430	— 283	— 201	— 82
B) Balance of other U.K. transactions 1).........	+ 135	— 100	+ 8	— 3	+ 11
C) Balance of U.K. Colonies.............	+ 146	+ 165	+ 134	+ 76	+ 58
D) Balance of the rest of the Sterling Area	+ 3	— 71	— 101	— 112	+ 11
Transactions with non-Dollar areas					
E) Balance of the whole Sterling Area.........	+ 2	— 57	— 143	— 119	— 24
F) Net total	+ 196	— 493	— 385	— 359	— 26
G) Sterling Area gold added to reserves	+ 100	+ 78	+ 72	+ 52	+ 20
H) Grants, loans etc. 1) ...	+ 279	+ 71	+ 138	+ 75	+ 63
I) Change in gold and dollar reserves........	+ 576	— 344	— 175	— 232	+ 57

1) Item H includes drawings (in 1950) on the Canadian line of credit, E.R.P. grants and loans, and defence aid grants and loans (all net of the U.S. share of counterpart funds), but not receipts under the "Katz-Gaitskell" agreement, which are in item B. Investment transactions and changes in liabilities appear under B. The positive items are increases in Sterling Area assets.

such emergencies — to cut imports. Earnings from commodity exports were still declining — they affect, for instance, item C; indeed, they may have continued to decline up to the middle of 1953. Import cuts take time to bring into effect, so that current balances tended to worsen still further in the first months of 1952. But the appearance of a resolute policy led to an immediate reversal of speculation, and therefore an improvement in item B. The marked improvement shown by the accounts for the second half of 1952 can be ascribed mainly to the effectiveness of the import-cutting policy. Changes in the terms of trade have helped the balance of payments of the U.K., but they probably have an adverse effect on the dollar balance of the rest of the Sterling Area.

The change in visible imports can be further analysed as follows—

Visible imports (f.o.b.) (£ million)	Annual rates for –			
	1951	1952	1952 Jul.—Dec.	1953 Jan.—Mar.
U.K. from dollar area	732	595	482	430 app.
U.K. from OEEC countries ...	924	738	634	630 app.
U.K. colonies from dollar area .	77	70	64	..
Other Sterling Area 2) from dollar area..................	409	391	278	..
Overseas Sterling Area from OEEC countries	600	476	404	..
Total of items shown	2742	2270	1882	..

Source: Cmd. 8808: the figures relate in principle to the date of the change of ownership of goods, which (for the U.K.) usually precedes arrival in the country; and imports are valued f.o.b. and not (as in the Trade Accounts) c.i.f.

2) excluding South Africa.

The previous table shows, in item F, an improvement in the gold and dollar balance, as between 1951 and the annual rate for the second half of 1952, of £ 441 mn. The particular group of visible imports shown have fallen in value by no less than £ 860 mn.; the difference is partly accounted for by a need to offset a fall in dollar earnings and in gold surrenders by the overseas sterling area.

Some further light is thrown on the change in U.K. imports by the following table:

	Index numbers (1951 = 100) of –				
	Volume of total imports	Price of total imports	Value of imports – Total	Value of imports – $ Area	Value of imports – OEEC countries
1951	100	100	100	100	100
1952	92	97	89	93	85
1952					
Jan.—June	97	101	98	109	93
Jul.—Dec.	87	93	81	77	77
1953					
Jan.—Mar. ...	95	89	84	68	76

Source: Report on Overseas Trade (monthly): imports valued c.i.f.

During most of 1952, transactions with O.E.E.C. countries were in effect settled in gold, as the U.K. first exhausted its E.P.U. quota and then (when it had a surplus) obtained repayment of part of the gold it had lost. Hence there was discrimination against imports from both dollar and O.E.E.C. sources, and a rise in the volume of imports from sterling sources. As between 1951 and the second half of 1952, volume changes accounted for about two thirds of the fall in total imports, and probably for a greater proportion of the fall in the value of imports from dollar and O.E.E.C. countries. In 1953, however, the volume of imports has started to rise again, and the discrimination against O.E.E.C. countries is being in part relaxed. There is a continuing slow fall in many commodity prices; but that unfortunately affects the earnings of the Sterling Area as well as the expenditure of the U.K.

The background of the tentative British moves towards the convertibility of sterling is not, therefore, a promising one. The apparent strength of sterling rests largely on administrative actions which are already being reversed. The volume of U.K. imports in the second half of 1952 will certainly have to be exceeded if we are to sustain a rising industrial activity; and the improvement in our E.P.U. balance has largely removed the justification, or excuse, for our limitation of imports from Europe.

But we cannot usefully discuss the prospects, and likely results, of moves towards convertibility without first defining that elusive word. An article by Mr. A. C. L. Day, in "Lloyds Bank Review" for April 1953, surveys most admirably this very complex matter. I shall not follow Mr. Day into all the complexities, but pick out a few important points. 3)

At present sterling can be freely used, without significant restrictions, for payments within the Sterling Area, whether capital or current. Sterling can also be used for *current*, but not for capital, payments between members of a much larger group of countries — those which operate transferable accounts. The central banks of Britain and the sterling dominions have unrestricted rights to convert sterling into dollars — that is to say, to call upon the central gold and dollar pool; but the exercise of these rights is limited by "gentlemen's agreements". Individuals and firms in the sterling countries consequently have no automatic rights to obtain dollars, but must submit to whatever restrictions the central bank of their country may impose in the interests of the reserves of the whole area. Individuals and firms in the "tranferable account" countries can use sterling for payments to each other or to the sterling area, but they have no rights to convert sterling into dollars. There are, however, already

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3) See also Mr. Day's article, "Convertibility and the European Payments Union", in *Bulletin,* Oxford University Institute of Statistics, May 1953.

indirect routes by which sterling can be turned into dollars or used to save dollars. The re-export of sterling area commodities to the dollar area, for instance, yields a flow of dollars some of which feed the free markets in which sterling stands at a discount. The reopening of major London commodity markets, though safeguarded by restrictions, extends certain rights to use sterling to buy dollar goods. Finally, when the imbalance in E.P.U. reaches a point at which most settlements are being made in gold, the earning of sterling may be equivalent to a right to receive gold or to avoid its payment; and gold is, of course, equivalent to dollars.

Continuing along present lines of policy, it would be possible to ease restrictions a little further — for instance, by extending the scope of transferability, and by giving more freedom to the British commodity markets. Beyond that, serious difficulties appear. A minimum first step would be to extend to some or all of the transferable account countries "central bank convertibility" similar to that which exists within the sterling area; that is to say, to give a right of exchange into dollars, exercisable not by individuals but by central banks, and limited in amount by private agreement. Stated thus, the proposal at once appears ridiculous; it would merely give to other countries an access to already inadequate reserves, and the pent-up demand for dollar goods would make it very difficult to control effectively their calls upon them. But it has been suggested that, as the price of convertibility, the United States might make some large addition to the reserves. I shall examine in a moment the size of the reserves in relation to what might be necessary to provide for fluctuations in payments. That, however, is not the problem. Our previous discussion has shown that Britain has at best achieved, so far, a precarious and temporary stability in its dollar accounts. It has not solved the dollar problem by making British exports more desirable than dollar exports. Indeed, the inflation of internal costs has obliterated most of the advantage gained in 1949 by devaluation. The pressure on the reserves would have to be held continuously in check by administrative measures; and this has been difficult enough to achieve betweeen the states of the Sterling Area.

The argument at this point divides along two paths. On one, we find proposals for making sterling as scarce as dollars by a *change in exchange rates*. This could either take the form of a single devaluation, or of allowing free fluctuation of rates; if the latter, the market could either be left uncontrolled or subjected to the stabilising influence of Exchange Equalisation Funds. On the whole, opinion would probably favour the middle course, of stabilised variation. It would be very difficult to decide on the right amount for a single devaluation; and an uncontrolled free market in a major trading currency would be disruptive of business in general, and of London's profitable financial business in particular.

Suppose, then, that this path were taken, and at a certain date transferable account sterling were to be made convertible into dollars, at a rate determined on a free market; the sterling area reserves being used, not to resist major moves of that market, but to iron out its minor fluctuations. Currently earned sterling and dollars would then be virtually equivalent throughout the sterling and dollar areas, with the important exception that the sterling area countries might still discriminate against dollar goods — that is, not extend to their citizens the convertibility rights possessed by their central banks. To the resident in France, sterling would have become scarce; apart from any fortuitous gains while the system was settling down, it is not obvious that a shifting of the line of division between hard and soft currencies would be to his advantage. The change would seem to require Britain's withdrawal from E.P.U., or the remodelling of E.P.U. into machinery for stabilising currencies on free markets; it would also be necessary to make major changes in the rules and function of the I.M.F.

Released on a free market, sterling would begin to depreciate relative to the dollar. It is theoretically conceivable that this depreciation might to begin with make the dollar problem worse instead of better; and it would be difficult to prevent violent fluctuations of the newly released market. It would be to the advantage of foreigners to expedite receipts of sterling and delay payments, in order to increase their "current" balances available for conversion; there would thus either be an undue depreciation of sterling at the outset of the scheme, or a once-for-all loss of gold from the Equalisation Account. Furthermore, the effect on a fully-employed economy of a worsening of the terms of trade would be on balance inflationary, with the consequent danger of setting in motion a further depreciation.

The economic reality which lies behind these changes is that the dollar problem is linked to the desire in the non-dollar countries to maintain a standard of living not justified by their productivity. As long as this remains true, changes in exchange rates do not solve the underlying problem, but shift its stress to a different place.

We have spoken of the extension of conversion rights to foreign central banks. In fact, however, a number of the countries in the transferable account system might be unwilling to operate controls denying to their citizens the rights extended to their central bank. It would obviously be anomalous if an individual Belgian merchant (say) could convert sterling earnings into dollars and use them to buy any dollar goods he wished, while an Australian or a British merchant was denied the same opportunity. This anomaly will arise unless there is an agreed standard of import control, or discrimination against dollar goods, for all the participating countries; and what works passably well for the countries of the Sterling Area would be difficult to arrange for a wider group. The same difficulty would arise over controlling the movement of capital. Exchange control is already unable to stop some quite large changes in short-term credit, and it would be difficult to enforce on a wider group of countries uniform rules controlling capital transactions.

The point we have reached so far is that convertibility with the present fixed exchange rates would tend to confer benefits on non-sterling countries and their residents, which might in turn require a lessening of restrictions on sterling area residents to confer on them the freedom taken by others. It is difficult to see a satisfactory stopping place on this road short of making sterling available for all uses, capital and current, without discriminatory control of imports. The alternative, of setting the exchange rate free, would mean less pressure on the reserves and provide an easier path towards non-discrimination, but at the cost of painful adjustments in the sterling area countries.

Let us therefor explore the other path mentioned on page 6, which is believed to be preferred by the Americans. This would involve a *combined move towards convertibility* by Britain and Western Europe together. With fixed exchange rates, this would be better than simple sterling convertibility, though it would still involve a somewhat random distribution of advantages. But the basic difficulties would remain; the combined reserves of the countries concerned would not last long if free use of dollars were allowed; therefore restrictions on the use of dollars, i.e. discrimination against the dollar area, would be necessary: injustice would arise unless this discrimination followed a common policy: but such a common policy would be very difficult to arrange among a diverse group of states.

If there were a combined move towards convertibility, with a freeing of all exchange rates (either with or without stabilising measures), the pressure on the reserves would be eased, but at the cost of creating internal stresses which some European economies are even less able to bear than Britain. And Britain is pushed on by the incentive of strengthening the international position of sterling; it is not at all certain that other countries will be so anxious to get away from the comforts of discrimination.

Plans for convertibility seem to involve so many difficulties that it is tempting to suppose that they should be shelved until such time as the "dollar problem" disappears. But it may be doubted whether that problem will, in fact, ever disappear unless we restore economic machinery which will force unwilling politicians to bring about unpopular adjustments. Nobody today argues for a return to the full operation of the Gold Standard; but that does not mean that the present tendency to shelter from economic realities behind controls and restrictions is desirable. It is probably worth attempting a jump to convertibility by as many countries as possible, allied to a freeing of exchange rates (subject to stabilisation by exchange equalisation funds).

Such a plan — which would mean the end of I.M.F. and E.P.U. in their present form — is to be preferred to any attempt to reach convertibility with fixed exchanges, for two reasons. The first is that the greater the variability allowed in an exchange rate, the less the reserve required. Now we have seen that, even in the present world of restrictions, speculative movements against sterling can cost £ 100 mn. or more. Sterling area visible and invisible earnings from the dollar area were, in 1952, worth not far short of £ 1000 mn. It is quite possible that, given a simultaneous depression in the U.S. and Canada, these earnings might fall by £ 400 mn. in a single year. With the kind of delay in reaction which we had in 1951, these two items alone could cause the loss of over half the present gold reserve of £ 800 mn. Yet that reserve is held for the whole sterling area and for all uses; and convertibility might well increase the dangers of a drain upon it. Even if it were built up by American credits, and the strain on it lessened by judicious initial devaluation, the second reason against fixed exchange rates would remain; they tend to result in the use of the reserves, not for ironing out chance fluctuations, but for resisting major trends. As long as reserves are ample, we are complacent; when they run low, we take panic and restrictionist action. The present temporary strength of sterling does not mean that we could maintain convertibility, in any form, with the present exchange rate and present reserves; but the weaknesses still apparent in the sterling position are not a conclusive argument against an experiment with convertibility and variable exchanges.

The internal financial policy of the United Kingdom.

At the end of 1951, the internal economic prospect was dominated by two things. One was the crisis in the balance of payments; the emergency cuts in imports meant that less resources would be available for use at home. The other was the expected massive rise in defence expenditure, putting additional strain on an economy which in mid-1951 had only just over 200,000 registered unemployed (1 % of the labour force). During 1951 retail prices had risen by 12 % and wage rates by 10½ %; it was important to slow down or stop this rise, which threatened British export prospects.

Writing in this journal in 1949 [4]), I welcomed the advent of a new principle in British budgeting, replacing the pre-war principle of balancing the items which happen to be included in the Chancello 's Budget. I wrote:

> "The new principle, first applied in Sir Stafford Cripps's courageous Budget of April 1948, is to manipulate the revenue and expenditure of the State to balance the *nation's* accounts. When the nation is trying to do more than its resources will allow, and is thus producing frustration, shortages and inflation, a Budget surplus will apply the corrective of deflation. When demand falls off, and unemployment is threatened, we shall (presumably) apply the corrective of a Budget deficit."

Nothing that has happened since 1949 modifies the welcome due to this replacement of convention by conscious thought. There are, of course, plenty of people who are ready to treat every appearance of an adventitious surplus as a reason for a corresponding reduction of taxes; but it is heartening to be able to record that Mr. R. A. Butler appears in practice to follow the new principle, though in his speeches he is understandably chary of admitting any such definite "planning".

The addition of a new weapon to the armoury of Government economists, however, does not mean that all others should be scrapped. It is fair, I think, to ascribe to some of Sir Stafford Cripps's colleagues in the Labour Party an altogether unreasonable reliance upon the Budget as the principal instrument for securing internal economic balance. It is a poor instrument which can normally only be used once a year, and which has to be guided by statistical forecasts of a rough and doubtful kind. But the Labour Governments were in particular unwilling to employ the weapon of credit restriction; indeed, in the early post-war years they frustrated their own policies by an inappropriate credit expansion.

The very difficult situation of late 1951 clearly called for the simultaneous use of all the means of economic control at the State's command — fiscal measures, physical controls, and changes in credit policy among them. [5]) The most interesting immediate change was a revival of monetary policy from the long rest in which it had lain since the early 1930's. In its sleep it had been lulled by the songs of Lord Keynes's disciples; the rate of interest had little effect on investment, and it was useless to reawaken it as an active instrument of policy. One suspects that Lord Keynes himself would have made short work of this nonsense.

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[4]) 1949 no. 1, p. 28.

[5]) See *Public Finance,* 1950 no. 3, p. 220.

It is nevertheless not easy to define just what the Government has done with monetary policy. The Bank Rate has been raised, short-term rates have moved in sympathy, and the general level of long-term interest rates has remained a little above 4 %. Direct pressure on the banks to restrict credit has been gentle and occasional; and there have been long periods when it has looked as though we were back again to a passive monetary policy. But the real and vital change is simply the appearance of flexibility in what had long been fixed — here the Bank Rate has a psychological importance far beyond its immediate practical influence. A new uncertainty has appeared, an uncertainty about tomorrow's credit policy; and with it goes a new caution. The effects have been threefold. Firstly, more care and forethought has been required from those who hold stocks of goods. The holding of excessive stocks has become more expensive, and the financing of them more uncertain; the consequent dishoarding of goods yields a once-for-all gain, but also a more permanent advantage through a better distribution of stocks through industry. Secondly, the new caution of the banks has shown itself, not so much in a contraction of advances to industry, as in a severe limitation of loans to persons; and this has deflated markets for expensive goods such as motor cars. Third, and most important, has been the indefinable change in business sentiment; the caution which has spread out from the banks and from a nervous Stock Exchange into the board-rooms of industry; the growing conviction that profits were not easily to be made, and that rises in costs could not automatically be passed on to consumers.

In prospect, the chief difficulty of 1952 was seen to be the rival claims of home investments, exports and national defence on limited steel supply and engineering capacity. Although a greatly increased home investment is needed to give an adequate rate of increase of productivity, it was clear that in this particular year the other two claimants had a higher priority. Long-term capital investment, of a type which makes big calls on steel supplies, cannot be expected to be influenced easily or with certainty by monetary policy. The Government therefore had recourse to direct controls over the use of steel, and also used its powers to hold in check the investment programmes of public authorities (except on housing) and of nationalised industries. It anticipated that there would be a marked fall in supplies of metal-using consumer goods and in road vehicles for home civilian use.

The Budget of 1952 could therefore assume a cut in fixed investment and stockbuilding of £ 250 mn. (at the prices of the preceding year), a reduction of £ 50 mn. in the non-defence expenditure of public authorities, and a rise of £ 250 mn. in output; the resources of £ 550 mn. thus set free could notionally by applied to defence (£ 200 mn. more, excluding what was to be paid for from defence aid), to balance a fall of £ 300 mn. in imports, and to provide an extra £ 50 mn. for exports. This happy calculation showed that it was possible to balance external payments and use all possible capacity in the metal industries while leaving the real total of consumption unchanged.

The tax changes of 1952 were therefore mostly devoted to shifting the fiscal burden, not to increasing it. 6) But the assumptions on which the Budget had been based were not fulfilled. The main features of domestic economics in 1952 were a sharp fall in consumer demand, especially for textiles; a drop in production, partly consequent on the fall in demand, partly on import cuts by overseas countries and partly due to the running down of stocks of finished goods; and a consequent fall in certain incomes, reinforcing the drop in consumer demand.

Up to 1950, industrial production in the United Kingdom had been rising, over the post-war years, by about 7 % per annum, while the whole real product (including agriculture, services etc.) had been rising by about 4 % per annum. The characteristic pattern of industrial production was that, after correction for holidays, it made its largest gains in the autumn; and the failure to achieve these gains in the autumn of 1951 was warning signal. The course of production since early 1951 can be shown as follows:

Changes between quarters in seasonally adjusted index of industrial production 7)

1951	I to II	0 %
	II to III	0
	III to IV	— 1
1951	IV to 1952 I	0
1952	I to II	— 4
	II to III	— 2
	III to IV	+ 4
1952	IV to 1953 I	+ 2

The lowest point of this brief depression was reached in July and August 1952, when the full impact of the sterling area import cuts had been felt. Longer holidays were probably taken in some trades in 1952, as a convenient means of cutting down production; but this is a symptom of the depression, and it is therefore reasonable to compare the two summer months with the corresponding months a year before. Industrial production as a whole had fallen by 7%. The product of building and of food, drink and tobacco

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6) See *Public Finance,* 1952 no. 1/2, p. 51.

7) Index from *Bulletin,* London and Cambridge Economic Service.

had risen; fuel and power and metal manufacture showed practically no change. The vehicles trade (9 % fall) was especially affected by Australian import cuts; engineering (7 % fall) may have been held back by the disorganisation caused both by changes to arms production and by Commonwealth import cuts. Chemicals (7 % fall) were indirectly affected by the recession in consumer goods. But for the really large changes we must go to textiles (35% drop), to paper and printing (30 %), and to wood manufactures (13 %); leather manufactures were 12 % and clothing 8 % below a 1951 level which had already declined substantially from its peak.

In mid-1952, therefore, it was fair to think of the depression as, in the main, part of the world-wide textile slump, though there was also a significant decline in some consumer durables. A depression in which consumer goods industries were worse affected than capital goods industries was hardly orthodox, but it could readily be explained in the unusual circumstances. By the end of 1952 the depressed industries, with a few special exceptions, were well on the way to full recovery.

We can summarise what actually happened in 1952 in a table, (page 000), the final column of which shows the changes which are expected or hoped for in 1953. The *expectations* for *1952* (mentioned on page 18 above) are not included, for they were announced on the basis of the financial and not the calendar year, and are thus difficult to relate to the actual results.

It can be seen from this table that, despite the fall in production and imports, space was left for the rearmament programme by the fall in consumption and by the cessation of stockpiling. Although the index of retail prices rose by 9 % between 1951 and 1952 (yearly averages), the rise in prices revealed by revaluing personal consumption at constant prices was only 6½ %. But this stemmed from an increase in the price of domestic factors of no less than 11 %, offset by the fall in the price of imported factors. This price increase in the gross domestic product was the largest for any postwar year:

Approximate price element in increase in gross domestic product at factor cost

1946 to 1947	4 %
1947 to 1948	5 %
1948 to 1949	2 %
1949 to 1950	— 1 %
1950 to 1951	8 %
1951 to 1952	11 %

Adapted from *Bulletin,* London and Cambridge Economic Service, September 1952.

Resources and their uses, 1951-1953

	1951 £ mn.	Change 1951—1952 at 1951 prices	Approx. price change (1951 = 100)	1952 £ mn.	Expected Change 1952—1953 at 1952 prices
Gross domestic product at factor cost 8)	12285	— 100	111 %	13506	+ 600
Imports of goods and services	4072	— 330	93½ %	3498	+ 250
Value of supplies at factor cost	16357	— 430	107 %	17004	+ 850
Indirect taxes less subsidies	1804	..	..	1870	..
Value of supplies at market prices	18161	— 430	106½ %	18874	+ 850
USED FOR –					
Personal consumption	9932	— 110	106½ %	10460	+ 250
Public Authorities' current expenditure on goods and services 9)	2477	+ 325	106 %	2969	+ 150
Gross fixed investment	1862	— 35	109½ %	2000	+ 150
Physical increase in stocks and work in progress 8)	465	— 550	.. %	— 100	+ 200
Exports of goods and services	3425	— 60	105½ %	3545	+ 100 10)

Adapted from Cmd. 8800, Cmd. 8803, and R. C. Tress in *Bulletin*, London and Cambridge Economic Service, June 1953.

8) Stock appreciation (in price) is omitted throughout, but is thought to have been small in 1952.

9) All but about £ 25 mn. of the increases at constant prices are due to defence expenditure.

10) This is not an estimate of the "likely" level of exports, but of the increase required to give a healthy balance of payments.

A rough extension of this calculation to 1953 suggests that, because of the continued fall in import prices, a rise of (say) 3 % in British market prices would be consistent with a rise of more than twice this in factor prices. It is therefore rather soon to be talking about inflation as being "under control"; its harmful effects have been mitigated by a favourable change in import prices, but we are not yet in sight of that *fall* in the factor cost of a unit of output which both the internal and the external economic situations require.

In framing his Budget for 1953, therefore, the Chancellor of the Exchequer was facing a particularly complex task. On the one hand, the economy (despite its recovery in the second half of 1952) was not working at full stretch; it needed some stimulus to get it back, not just to the level of 1951, but to that level, 4 to 6 % higher, which two more years' growth in productivity would justify. Although in fact investment in plant and machinery fell very little between 1951 and 1952, it was probably too low to give an adequate rate of expansion of output. There was no point, of course, in pressing upon the engineering industries work beyond their capacity or beyond what could be obtained from their raw materials; but equally the country could not afford to allow resources to be unemployed in this field. For these reasons, the Chancellor was urged either to take off his brake — that is, to relax the restriction of credit — or else to press upon the accelerator by reducing industrial taxation. Furthermore, it seemed that some reduction in the weight of personal taxtion was called for, both as a stimulus to effort and as a way of lessening the consumer caution of 1952.

But on the other hand there were ominous reports from the export markets of growing competition and falling sales. The domestic elements in costs were still pushing remorselessly upwards, threatening further loss of exports and en end tho the hopes of a strong and convertible sterling. "Brimful" employment and an excessive stimulus to personal spending would also make the home market too attractive, and reduce the incentive to engage in aggressive salesmanship overseas. Other voices, therefore, were urging the Chancellor to continue the use of monetary restriction and to avoid tax changes which would add to personal spending power or encourage wage demands. Disinflation (so this argument went) had brought about a great improvement in our economic position, but there was a long road still to travel, and it was far too soon to be turning back.

The Chancellor came down quite definitely on the side of incentive. His main proposals were as follows:

a) to reduce all rates of income tax by 6 d. in the £.

b) to restore "initial allowances" of 10 % for buildings, 20 % for plant and machinery, and 40 % for mining works, for expenditure incurred after April 14 1953. These allowances allow firms to write off, for tax purposes, a part of the cost of capital works in the year in which it is incurred; they provide, in effect, an interest-free loan to industry, and ease the problem of financing new works.

c) to repeal, as from 1 January 1954, the Excess Profits Levy introduced in the 1952 Budget.

d) to reduce by a quarter the rates of Purchase Tax (levied on many goods, other than food). This change did not apply to clothing, which had received relief in the 1952 Budget.

We can classify these changes according to whether their effect is mainly on personal income and expenditure or on firms and companies; but in doing so we must remember that many Budget changes take full effect only after a time-lag, and we have therefore to take account of the delayed effect of previous Budgets. It must be remembered, too, that the effective burden of tax changes with changing income levels; thus, the actual payments of income and profits taxes in 1953/4 would, before allowing for this year's Budget changes, have been affected by rising personal incomes and by last year's lower profits. The net effect of these two influences is to add another £ 60 mn. to the £ 50 mn. which is the delayed net effect of the 1952 Budget. We cannot estimate this type of change for future years, and it is omitted in the table below.

Approximate incidence of tax changes (£ mn., tax increases +)

	'Personal' taxes			'Business' taxes		
	53/4	54/5	55/6	53/4	54/5	55/6
Extra effects of 1952 Budget (at 1952/3 income level)....	— 50			+ 100		
Immediate effects of 1953 Budget	— 125			— 45		
Extra effects in 1954/5		— 25			— 60	
Possible extra effects in 1955/6						— 155
TOTAL..........	— 175	— 25		+ 55	— 60	— 155

It is reasonable to suppose that individuals have regard mainly to their cash *payments* of tax, in which the fall is immediate and substantial; while businesses commonly have an eye to their tax *liabilities*, even though payment may be postponed to a future year. Thus the incentive effect of the Budget (if any) operates immediately for both classes of taxpayer, but the cost to the Exchequer is to a considerable extent delayed; for a year or two it will get the benefit of a running down of business tax reserves.

It is important to get these tax reductions in perspective. A marginal £ 200 mn. added to personal disposable income may be important, but it represents only 1½ % of personal incomes and less than 2 % of consumer expenduture; and the table takes no account of the operation for a full year of the 1952 cuts in food subsidies. The cuts in business taxation are more important, in relation to the size of business profits.

In the first half of 1953 there has been little use of the monetary instrument; long term interest rates have in fact fallen a little. It was evidently the Chancellor's view that he could afford to take a certain inflationary risk with his Budget, because he had a flexible monetary policy in reserve to deal with any harmful effects. If this view is correct, he might perhaps have taken greater risks than he did. His concessions may be enough to solve the financial problem, of leaving firms with enough cash to expand their investment programmes and individuals with enough cash to revive depressed consumer industries; but it is very doubtful if they are enough to make a significant change in the will to work and to be adventurous. The effects of taxation on incentive are, however, so little understood that the Chancellor may be forgiven for a certain vagueness about them.

But it is of course also possible that the Chancellor has made the wrong choise between the two views described on p. 15. Professor R. C. Tress writes: 11)

> "The process of conversion towards greater defence production and larger exports was begun last year by means of Government action, budgetary and financial, operating on home demand. This year, the process might perhaps be completed. But the risk is that, by over-estimating the momentum of the change and easing the pressure too soon, the good achieved may be undone, and crisis return."

At the time of writing (July 1953) it looks as though there may be substance in Professor Tress's fears. One reason why the Budget is an unwieldy and inaccurate instrument of policy is that it has to be devised against a background of facts which are not up to date. Minor changes can be made, in the light of later information, as the Finance Bill passes through the House of Commons, but it is very difficult to make any major changes until another year has gone by.

We now know that production was very buoyant in the early months of the year, before the Budget, and that unemployment has been falling sharply. It therefore seems doubtful whether the Budget concessions were needed as a means of restoring industry to full activity. Furthermore, there is evidence of active consumer markets in May and June; this may be no more than the Coronation spirit, but it may also be the end of the caution which produced a small rise in personal saving in 1952. The income tax concessions in the Budget took effect in June, and the purchase tax concessions in April. The addition to spending power which they represent might be just enough to tip the balance towards an expectation of rising prices and shortages. If such an expectation once appeared, it would grow, feeding upon its own results.

Another ominous sign is the lack of buoyancy in exports. If production goes on rising, the resources available might be even

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11) *Bulletin,* London and Cambridge Economic Service, June 1953.

greater than those indicated by the final column of the table on page 14; but they might be diverted to consumption and to an increase in work in progress, rather than to exports. In other words, an economy once again fully employed and liable to inflation would be failing to offer competitive prices and delivery dates. The importance of external stability is so great, and the danger to it so real, that it may be right to take the stern view that the economy needs a degree of deflation much greater than that which it experienced last year.

No reference has yet been made to two great international uncertainties which overshadow all economic calculation at the present time. One is that events in Korea might lead to a major reshaping of defence programmes, with world wide effects on activity and prices. The other, possibly a consequence of the first, is the danger of an American slump, which would almost certainly have dire results for the Sterling Area's balance of payments. These two uncertainties underline the difficulty of using the Budget as an instrument of policy. By April 1954 we may be wishing that Mr. Butler's measures had been far more deflationary or far more inflationary; it will only be by luck that he will have got his mixture just right. This consideration confirms his wisdom in relying upon the flexibility of monetary policy to help him steer a right course; but it suggests also that we should try to make other regulators of economic activity more effective and speedy in application. If fiscal policy is to share with monetary policy the work of regulation in a singularly uncertain world, have we got to rethink the whole idea of a single annual Budget?

LA POLITIQUE FINANCIERE INTERNATIONALE ET NATIONALE DU ROYAUME UNI 1953

PAR LE PROFESSEUR C. F. CARTER

L'article analyse tout d'abord l'amélioration sensible qui s'est produite au cours des derniers dix-huit mois dans la balance des paiements du Royaume Uni et de la zone sterling. Cette amélioration est due en grande partie à la réduction du volume des importations et, en ce qui concerne le Royaume Uni, à une amélioration des conditions commerciales. Elle n'est pas fondée sur l'augmentation du volume des exportations et elle implique une certaine politique discriminatoire en ce qui concerne les importations, politique qui à l'heure actuelle appelle déjà des assouplissements. La situation servant de base aux tentatives faites en vue d'assurer la convertibilité de la livre sterling n'est donc nullement encourageante.

L'article examine ensuite les perspectives et les effets de la convertibilité. Celle-ci, aux taux des changes tels qu'ils sont fixés actuellement, contribuerait à conférer des anvantages aux pays n'appartenant pas à la zone sterling ou à la zone dollar, et pourrait à son tour exiger l'atténuation des restrictions imposées aux résidents de la zone sterling, afin des faire jouir des mêmes facilités. En considération des difficultés que présente le contrôle à exercer sur un groupe important de pays, il est malaisé de déterminer, sur cette voie, un point d'arrêt satisfaisant, sans avoir recours en même temps à une réglementation discriminatoire des importations, à moins de fournir des livres sterling pour tous usages - opérations de capital et opérations courantes. Il va de soi que les réserves actuellement existantes ne pourraient permettre sembable politique et qu'il est par conséquent nécessaire d'envisager la convertibilité sur la base de taux de change libres mais stabilisés. Ceci ouvrirait une voie plus facile vers une politique non-discrimininatoire, mais au prix de tensions internes graves dans les pays qui prendraient par à cette politique. Une action concertée de plusieurs pays d'Europe, y compris la Grande Bretagne, présenterait la plus grande chance de réussite, mais elle mettrait fin au Fonds Monétaire International et à l'Union Européenne des Paiements, tels qu'ils existent actuellement.

Sur le plan intérieur, l'événement le plus intéressant a été le retour à une politique de souplesse monétaire, qui a donné lieu à une plus grande prudence commerciale et a exercé une influence déflationniste dans certaine secteurs de l'économie. Les prévisions gouvernementales pour l'année 1952 ont été démenties à cause de la forte baisse de prix des textiles et d'autres produits de consommation, qui s'est produits au cours de cette année. La production nationale brute et l'ensemble de la consommation ont baissé et l'influence de l'importante amélioration de la balance des paiements a été perturbée par l'arrêt de la formation des stocks. Il s'est néanmoins produit une augmentation sensible et inquiétante du coût de certains éléments de la production nationale, qui ne s'est cependant pas révélée dans le niveau général des prix, à cause de la diminution des prix des produits importés. Le budget de 1953 devait chaisir entre une politique tendant à encourager l'économie (afin de faire disparaître toute trace de la baisse qui s'était produite au cours de l'année précédente et de favoriser l'accroissement des efforts et des investissements) et une politique tendant à maintenir l'orientation déflationniste dans le but de faire baisser les prix et de libérer des ressources pour l'exportation. Le Chancelier de l'Echiquier s'est arrêté à une politique d'encouragement, tout en se réservant de la modifier par des mesures de restrictions monétaires, si dans la suite il s'avèrerait qu'elle était erronnée. Il existe quelques faibles indices tendant à prouver qu'il pourrait s'être trompé dans son choix; mais on fait valoir les difficultés qu'il y a à devoir prendre des décisions dans une période de grande incertitude. Ce qui est impodtant c'est de donner aux mécanismes dont se sert le Gouvernement pour réglementer l'économie, la plus grande souplesse et la plus grande rapidité possibles; ceci pourrait signifier que nous devrions réexaminer l'idée d'un budget annuel unique.

DIE ANGLEICHUNG DER EUROPÄISCHEN STEUERSYSTEME

VON G. SCHMÖLDERS

o. Professor an der Universität Köln

Mit der Gründung der Europäischen Gemeinschaft für Kohle und Stahl und den sich ankündigenden weiteren Integrationen der europäischen Wirtschaft erhebt sich ein Problem, das frühere Jahrhunderte bei der Durchführung von Zollunionen und Wirtschaftszusammenschlüssen nicht gekannt haben. Der moderne Staat ist in einem solchen Grade Unternehmerstaat, Wohlfahrtsstaat und Steuerstaat geworden, dass die einfache Öffnung der Grenzen und die Beseitigung der Zollschranken nicht mehr ausreicht, ein gemeinsames Wirtschaftsgebiet, oder wie es im Vertrag über die europäische Gemeinschaft für Kohle und Stahl heisst, einen „gemeinsamen Markt" zu schaffen. Vielmehr erhebt sich sogleich die Frage nach den verschiedenen *nationalen Steuersystemen*, nach den steuerlichen und sozialen Belastungen der Produktion und nach den Grössenordnungen, in denen sich die Kaufkraftumleitung durch die öffentliche Hand in den einzelnen Partnerländern der neuen Gemeinschaft vollzieht; ohne eine gewisse Abstimmung auf diesem Gebiet ist die erfolgreiche Verwirklichung einer Wirtschaftsunion nicht denkbar.

Die Bedeutung dieses Problems hat sich in der Benelux-Union mit besonderer Deutlichkeit erwiesen; nach der mit der Zollunion 1948 in Angriff genommenen ersten Etappe der Verwirklichung dieser Union, deren Durchführung bereits 1944 beschlossen worden war, sind die Schwierigkeiten, die gerade auf dem Gebiet der Zölle und Steuern zu überwinden sind, in den beteiligten Ländern erst in ihrem ganzen Gewicht deutlich geworden, und für den Aussenstehenden ergibt sich manchmal der Eindruck, dass sich der Unionsgedanke selbst in diesen drei Ländern, die grundsätzlich zur Integration ihrer Volkswirtschaften entschlossen sind, noch gewissermassen im Experimentierstadium befindet.

So kann es nicht wundernehmen, dass mit dem Inkrafttreten des gemeinsamen Marktes der Montanunion ähnliche Fragen der *Koordinierung der Steuersysteme*, wie sie in der Benelux-Union seit langem an der Tagesordnung sind, unvermittelt und für die meisten Politiker auch ganz unvermutet in das Stadium akuter Auseinandersetzungen getreten sind, in dem zunächst Übergangslösungen geschaffen und die endgültigen Lösungen vorbereitet werden müssen; wenn Rom nicht an einem Tage erbaut worden ist, so verlangt ein politischer und wirtschaftlicher Neuaufbau, wie er in den Plänen der Montanunion vorgesehen ist, angesichts der Dimensionen der modernen Industriewirtschaft ein besonders hohes Mass an Geduld, freilich auch an gutem Willen von allen Seiten, um angesichts der drängenden weltpolitischen Entscheidungen mit den praktischen Lösungen nicht zu spät oder überhaupt nicht mehr zum Zuge zu kommen.

Betrachtet man des Problem der Koordinierung der Steuersysteme zunächst vom Blickwinkel der geschichtlichen Entwicklung, so gehört diese Problematik in den grösseren Rahmen der *Entstehung und Wandlung der modernen Nationalstaaten;* den Ausgangspunkt für alle Koordinierungstendenzen auf diesem Gebiet bildet der Siegeszug der modernen Demokratie und die Entwicklung und Angleichung der heutigen Staatsformen. Zieht man die grosse Linie von der französischen Revolution bis zum ersten und zweiten Weltkrieg, so ist es frappant, wie der moderne Volksstaat über alle äusserlichen Unterschiede in der Staatsverfassung und Regierungsform hinweg eine Assimilationskraft beweist, die die politischen Einrichtungen der einzelnen Staaten einander immer ähnlicher werden lässt. Die *Königreiche* Schweden und Grossbritannien, die *Republik* Frankreich und der *autoritäre Staat* Portugal unterschieden sich gewiss in vielfacher Beziehung; man kann jedoch kaum behaupten, dass die Unterschiede in den Staatsformen und Regierungssystemen dieser Länder markanter wären als die Unterschiede ihrer geographischen Lage, ihrer Gesellschafts- und Wirtschaftsstruktur und ihrer Volkspsyche. Auch die Wirtschafts- und Finanzpolitik der einzelnen Länder, so unbestreitbar das politische Klima, die spezifische Kräftegruppierung und die Staatsform zu ihrer Prägung mancherlei beitragen, fügt sich im modernen Staat gewissen allgemeinen Gesetzmässigkeiten, die sich im ganzen als stärker erweisen als die politischen Doktrinen, die parlamentarischen Mehrheiten oder die geschriebenen Verfassungen und Gesetze; auch auf diesem Gebiet neigen die Verhältnisse in den modernen Industrieländern zu einer deutlichen Angleichung.

Insbesondere die beiden Weltkriege haben hier ungemein nivellierend gewirkt. Wer beobachten konnte, wie die *Kriegswirtschaft* in staatsrechtlich und politisch völlig anders aufgebauten Ländern, wie etwa in Deutschland und den Vereinigten Staaten, in England und in der Sowjetunion, ganz ähnliche zwangswirtschaftliche Massnahmen mit sich führte, wie der Sozialbedarf und die Rüstungsfinanzierung sogar in den vom Kriege verschont gebliebenen Ländern ganz ähnliche Grössenordnungen in den Haushaltsplänen erscheinen liess wie in den kriegführenden Ländern, für den kann es nicht zweifelhaft sein, dass der moderne Staat westlicher Prägung einem *Uniformierungsprozess* unterliegt, der ganz selbstverständlich auch eine gewisse Angleichung der Finanz- und Steuersysteme zur Folge haben muss.

Ein weiterer Faktor der internationalen Koordinierung der Finanz- und Steuerpolitik ist die *weltfinanzwirtschaftliche Solidarität,* die sich im Zuge der beiden Weltkriege herausgebildet hat. An die Stelle der bezahlten oder kreditierten Kriegslieferungen der Vereinigten Staaten im ersten Weltkrieg trat im zweiten das Pacht- und Leihsystem, das es ermöglichte, die Entstehung des verhängnisvollen Blocks von Kriegsschulden zu vermeiden, der die Währungen der Welt nach dem ersten Weltkrieg durcheinander brachte. An die Stelle der Kriegsschulden und Reparationen sowie der grossen internationalen Anleihen mit ihren Zins- und Rückzahlungsverpflichtungen trat der Marshall-Plan, der unendlich viel zur Heilung der Schäden beigetragen hat, die der Krieg in allen europäischen Ländern hinterlassen hatte. Es war selbstverständlich, dass von diesen grossen, weithin sichtbaren Veranstaltungen einer weltwirtschaftlichen Finanzsolidarität auch ein starker Anstoss zur Vereinheitlichung der finanzpolitischen Zielsetzungen der einzelnen Nationalwirtschaften ausgehen musste.

Der Begriff der *„internen finanziellen Stabilität"*, der den am Marshall-Plan teilnehmenden europäischen Ländern nach den langen Jahren der Haushaltsdefizite, Geldschöpfungsexperimente und Währungskatastrophen sanft, aber deutlich als erstes Hauptziel der Wiederherstellung normaler weltwirtschaftlicher Beziehungen vor Augen gerückt wurde, lässt diese koordinierenden Einflüsse der neuen internationalen Finanzsolidarität deutlich erkennen. Die vereinheitlichende Kraft solcher Einrichtungen wie etwa der OEEC und der EPU mit ihren konkret in Dollars und Cents ausgedrückten Wirkungsmöglichkeiten geht über die wohlgemeinten multilateralen Vereinbarungen, wie sie nach dem ersten Weltkrieg in der Richtung auf die Beseitigung von Zoll- und Handelsschranken getroffen wurden, sicherlich weit hinaus, so wenig die Bedeutung der gleichzeitigen internationalen Besprechungen und Vereinbarungen auf dem Gebiet der Liberalisierung des Handels bestritten werden soll; der Übergang zum *Wertzollsystem* wird als wichtiger Schritt auf dem Wege zur europäischen Finanz-Koordinierung für immer ein Markstein dieser Entwicklung bleiben.

Wohl der stärkste Anstoss zu einer Vereinheitlichung der europäischen Finanzsysteme geht von den ersten Ansätzen zur Schaffung einer *europäischen Verteidigungsgemeinschaft* aus, die wir heute beobachten können. Ob es sich um die steuerliche Behandlung der sogenannten off-shore-Käufe oder der Lieferungen an die Verteidigungsgemeinschaft und zwischen ihren Mitgliedern handelt, überall erzwingt die Logik der Tatsachen Vereinfachungen und Vereinheillichungen in den Steuersystemen, die auf die Dauer gar nicht ohne Einfluss auf die grosse Linie der nationalen Steuerpolitik bleiben können. Die Aufbringung und Umlegung des Verteidigungsbeitrages hat der Weltöffentlichkeit zugleich mit den internationalen *Steuerbelastungsvergleichen* die nationalen Unterschiede der Steuersysteme nachdrücklich zum Bewusstsein gebracht; von der Forderung nach gleichmässiger Umlegung der Verteidigungslasten bis zu konkreten Vorschlägen, wie das Steuersystem der einzelnen Länder zum Zwecke der reibungslosen Aufbringung dieser Belastungen umgestaltet werden müsse, ist nur ein kleiner Schritt.

Die ersten, zunächst noch wenig ermutigenden Vorläufer und Kinderkrankheiten dieser internationalen Steuervereinheitlichung haben wir in Deutschland in den verschiedenen Besatzungszonen ganz besonders deutlich erleben können. Während die östlichen Gebiete und ganz Mitteldeutschland rücksichtslos dem fremdartigen Zwangswirtschafts- und Finanzsystem des Ostens eingegliedert wurden, huldigte die britische Zone anfangs einem ziemlich ausgeprägten finanziellen Zentralismus; gleichzeitig wurde in der amerikanischen Zone ein Finanzföderalismus exerziert, der seit der Gründung der Bundesrepublik immer von neuem zu Schwierigkeiten für den Aufbau und die sinnvolle Verteilung der Finanzgewalten geführt hat. Die Einflussnahme des *Alliierten Kontrollrats* und der einzelnen Besatzungsmächte auf die deutsche Steuergesetzgebung hat darüber hinaus an der Komplizierung und unsystematischen Entwicklung des deutschen Steuerrechts in den letzten 8 Jahren einen bedeutenden Anteil. Neben manchen Fremdkörpern sind jedoch auf diese Weise in die deutsche Steuergesetzgebung auch eine Anzahl wertvoller Impulse in der Richtung der Nutzbarmachung ausländischer Erfahrungen hineingetragen worden, die letzten Endes der internationalen Steuerangleichung zustatten kommen. Wenn auch inzwischen die deutsche Gesetzgebungshoheit auf dem Gebiet der Steuern im allgemeinen wiederhergestellt worden ist, so sind doch eine Reihe von Einflüssen weiter am Werke, das deutsche Steuersystem ausländischen Vorbildern anzunähern; einzelne ausländische Sachverständigenkommissionen haben hierfür ganze geschlossene Programme entwickelt und vorgelegt.

Sind somit koordinierende Einflüsse von vielen Seiten her am Werke, um die Weiterentwicklung der einzelnen Steuersysteme gewissermassen *von aussen her* auf einen gemeinsamen Nenner zu bringen, so wirkt die *innere Dynamik der finanzwirtschaftlichen Mittelaufbringung* in der gleichen Richtung. Die Aufgabe, dem unaufhörlich wachsenden Finanzbedarf der öffentlichen Haushalte durch eine immer weiter vervollkommnete und gesteigerte Ausschöpfung der Steuerquellen Rechnung zu tragen, führt in den einzelnen Ländern überall zu ähnlichen Lösungen, die sich aus der Ähnlichkeit der Wirtschaftsstruktur, des Rechtssystems und der Finanzgebarung mehr oder weniger zwangsläufig ergeben; sobald ein bestimmter Prozentsatz des Volkseinkommens für Zwecke des Gemeinschaftsbedarfs abgezweigt werden muss, führt die immanente Logik des Staats- und Wirtschaftsaufbaus zu einer eng begrenzten Auswahl von Besteuerungsformen, die sich als hinreichend ergiebig und praktikabel erwiesen haben. In rückblickender Betrachtung sind es *drei grosse Etappen*, die durch *drei grosse Steuern* gekennzeichnet sind, auf denen jeweils das Schwergewicht der Entwicklung und teilweise auch der Aufbringung lag; die *Ertragsteueretappe* der ersten Hälfte des neunzehnten Jahrhunderts wurde von der *Einkommen- und Körperschaftsteueretappe* der letzten 100 Jahre abgelöst, und heute schickt sich die *Umsatzsteuer* an, die führende Rolle im Ensemble der grossen Steuern zu übernehmen.

Zunächst war es neben den fiskalischen Rücksichten das erwachende *soziale Gewissen der Zeit*, das zu dem Siegeszug der Einkommensteuer in der zweiten Hälfte des 19. Jahrhunderts beitrug. Die Einkommensteuer, ursprünglich aus fiskalischen Gründen als zweckmässigste Form der Mittelaufbringung in Kriegszeiten und in der besonderen Finanzlage geschaffen, in der sich nach dem Übergang zum Freihandel und dem Fortfall der Zölle die britische Finanzwirtschaft 1842 befand, wurde in ihrer kontinentalen Form von Anfang an durch den Gedanken der *steuerlichen Progression* bestimmt, der auf Erwägungen sozialreformerischen Charakters zurückging. In den 90er Jahren des vorigen Jahrhunderts ist insbesondere in Deutschland durch das Wirken des als Kathedersozialismus bezeichneten Kreises von Professoren, die 1873 den Verein für Sozialpolitik gründeten, neben das liberale Prinzip der *gleichmässigen Besteuerung* mehr und mehr das Prinzip der *„Besteuerung nach der Leistungsfähigkeit"* getreten; die progressiven Einkommensteuern Preussens und Sachsens wurden zum Vorbild der späteren Reichseinkommensteuer, und in England erfuhr die Einkommensteuer ebenfalls 1899 und 1909 eine kräftige Verschärfung. Seinen Gipfelpunkt erreichte der Siegeszug der progressiven Einkommensteuer kurz vor dem ersten Weltkrieg, als die liberalen und sozialen Anschauungen auch in Frankreich gegenüber den Konservativen an Boden gewonnen hatten; 1913 wurde die Einkommensteuer in Frankreich eingeführt, und gleichzeitig ging auch in den Vereinigten Staaten die Bundesregierung zur Erhebung einer eigenen Bundeseinkommensteuer über, die neben die vielfach bereits bestehenden einzelstaatlichen Einkommensteuern trat.

Nach dem ersten Weltkrieg setzte die Einkommensteuer diesen ihren Siegeszug in vielen anderen Ländern noch fort. Vollends der Finanzbedarf der Vorkriegs- und Kriegsjahre brachte es mit sich, dass in den kriegführenden Ländern von dem Instrument der Einkommensteuer in einem Masse Gebrauch gemacht wurde, das die Ausschöpfung dieser Steuer bis nahe an ihre Grenze heranführte. Diese *Übersteigerung der Einkommensteuer* macht sich nach zwei Seiten hin geltend: nach oben in Gestalt der immer weiter getriebenen Progression, die Steuersätze von 50 und mehr v. H. erreichte und überschritt, nach unten in einer immer weiteren Herabsetzung der Freigrenzen und Freibeträge, die angesichts des verringerten Geldwerts Einkommensschichten mit einem Realeinkommen zur Einkommensteuer heranzog, zu deren steuerlicher *Ent*lastung die Einkommensteuer ursprünglich geschaffen worden war.

Damit verliert der eigentliche sozialpolitische Zweck der Einkommensteuer viel von seinem Sinn; mit der Besteuerung der Lebenshaltung, nicht mehr nur des Überschusses über die zur Lebenshaltung erfordelichen Beträge verwandelt sich die Einkommensteuer in eine Massensteuer. Der Zeitpunkt, zu dem diese Übersteigerung der Einkommensteuer nach oben wie nach unten deutlicher sichtbar und fühlbar wird, liegt für die einzelnen Länder je nach ihrem Industrialisierungsgrad, nach ihrem Volkswohlstand und der Einkommensverteilung verschieden. Wie der Krieg und die ihm folgende Verarmung, so ist auch der Verfall der Währungen und die *Geldentwertung* in einer Reihe grosser zusammenhängender Wellen durch die europäischen Länder gegangen; est ist kein Wunder, dass die Verbreitung und Ausschöpfung der Einkommensteuer sich eng an die durch die Geldentwertung geschaffenen besonderen wirtschaftlichen Situationen anpassen musste. Einerseits versagt die Einkommensteuer in Zeiten der Geldentwertung weitgehend ihre fiskalische Leistung, da die Veranlagung meist nach zurückliegenden Zeiträumen erfolgt und im Falle einer rasch fortschreitenden Geldentwertung infolgedessen keine nennenswerten Realbeträge mehr erbringt. Andererseits zwingt der Finanzbedarf gerade in Notzeiten zur Erschliessung schnell greifbarer und laufend fliessender Steuereinnahmen, die sich an anderen Massstäben als an dem Einkommen eines zurückliegenden Zeitabschnitts orientieren müssen.

So kam es in Deutschland schon in den Inflationsjahren 1922-24 zu einem starken Vordringen der *Umsatzsteuer*, die damit vorübergehend schon einmal in die Rolle der Hauptsteuer des Steuersystems hineinwuchs, die sie heute gewonnen hat. Mit der Stabilisierung der europäischen Währungen um die Mitte der 20er Jahre finden wir folgerichtig ein Wiederaufleben der Einkommensbesteuerung in den meisten europäischen Ländern. In den Ländern, deren alter Wohlstand und reicher Überseebesitz die Überwindung der Kriegsfolgen ohne Währungsverschlechterungen dramatischen Ausmasses erlaubte, ging die Entwicklung der Einkommensteuer noch ein volles Jahrzehnt ungestört weiter. Erst in und nach dem zweiten Weltkrieg erlebte Grossbritannien die Rekordanspannung der Einkommensteuer mit Sätzen bis zu 97,5 v.H., und erst im zweiten Weltkrieg sahen sich die Vereinigten Staaten genötigt, mit den Freigrenzen ihrer Bundeseinkommensteuer soweit herunterzugehen, dass nunmehr mit über 40 Mill. Einkommensteuerpflichtigen auch bei ihnen die Einkommensteuer zu einer Massensteuer wurde.

Fast unvermerkt hatte sich in diesen Jahrzehnten eine Entwicklung angebahnt, die zu einem zunächst ganz unmerklichen und später erst deutlicher werdenden *Verlagerungsprozess in den Steuersystemen* führte. Die Notwendigkeit einer immer stärkeren Kapitalakkumulation für die Durchführung grosser industrieller Vorhaben führte in den modernen Industrieländern immer mehr zu einer *Entpersönlichung der Unternehmungen* und die Besteuerung konnte nicht umhin, sich dieser Entwicklung anzupassen; die finanzkräftigen Kapitalsammelbecken, bei denen die grossen Erträge anfielen, waren ein verlockendes Steuerobjekt. Mit der Einkommensbesteuerung *juristischer Personen* gewinnt eine neue Besteuerungsform an Verbreitung, die in Deutschland 1920 den Namen „Körperschaftsteuer" erhielt und die heute in den meisten Steuersystemen als „Gesellschaftsteuer" oder dergleichen heimisch geworden ist. In den Vereinigten Staaten ist die Körperschaftsteuer sogar älter als die Einkommensteuer der natürlichen Personen, soweit diese vom Bund erhoben wird.

Auch diese Entwicklung vollzieht sich international. — Es ist charakteristisch, dass erst im zweiten Weltkrieg England mit seiner Profits Tax, Schweden mit der Bolagskatt und erst neuerdings Frankreich mit dem „impot sur les sociétés" auf den Plan getreten sind, während die Niederlande nach dem Ende der deutschen Besatzung die von den Deutschen eingeführte Körperschaftsteuer beibehielten.

Der Gedanke der „*Besteuerung nach der Leistungsfähigkeit*" war damit, soweit es sich um die Besteuerung der Gesellschaftsgewinne handelte, verlassen. Mehr und mehr drang darüber hinaus auch in die Gewinnermittlung für die Zwecke der Besteuerung eine *Objektivierung* ein, die unvermerkt den eigentlichen Charakter sowohl der Einkommensteuer für gewerbliche Unternehmungen als auch der Körperschaftsteuer verwandelte. Ein krasses Beispiel für diesen

Objektivierungsprozess ist der Ersatz des Steuerabzugs vom Arbeitslohn, wie er nach deutschem Muster in Frankreich galt, durch die seit 1949 in Franrkeich eingeführte pauschale Lohnsummensteuer, die heute ganz offiziell als Kostensteuer von den Betrieben erhoben wird. Damit ist für die untersten Einkommenschichten der Gedanke der Besteuerung nach der individuellen Leistungsfähigkeit weitgehend verlassen; an seine Stelle tritt auch für die kleingewerblichen Einkünfte in vielen Ländern ein System der Pauschalierung und Richtsatz- oder Normbesteuerungen, das zum mindesten praktisch die gleiche Wirkung erkennen lässt.

In den höheren Einkommensstufen zeigt sich mehr und mehr, dass die leistungsfähigen Einkommen nur noch solche der *gewerblichen Sphäre* sind, und auch hier finden sich in den Gewinnermittlungsvorschriften, den teilweise bis ins einzelne gehenden Regelungen für Abschreibungen und Bewertung gewisse Ansätze zu einer Pauschalierung und Normierung, die die Einkommensteuer trotz ihres Namens vielfach mehr zu einer Art objektiver *„Betriebsteuer"* werden lässt. Auch diese Einengung des Gewinnbegriffs auf einen lediglich steuerlich wirksamen Gewinnbegriff ist international; selbst in Schweden, wo bis vor wenigen Jahren den Unternehmungen bei der Bewertung ihrer Anlagen keine steuerlichen Schranken auferlegt waren und auch heute die Bemessung der Abschreibungen noch frei ist, sind durch die Investitionssteuer von 1950 bestimmte kostenähnliche Belastungen auferlegt worden.

Es hängt sicherlich mit diesem Objektivierungsprozess der Einkommensteuer und Körperschaftsteuer zusammen, dass der Stern der Einkommensteuer und der Besteuerung nach der Leistungsfähigkeit heute in allen Ländern im Sinken ist. An seine Stelle tritt der Siegeszug einer anderen Steuer, der *Umsatzsteuer,* sei es der als Verkehrsteuer ausgestalteten Kumulativsteuer vom Bruttoumsatz, sei es der modernen nach dem Masse des „value added", wie die Amerikaner, oder des „valeur ajoutée", wie die Franzosen es nennen, erhobenen Nettoumsatzsteuer oder Produktionsteuer. Der finanzielle Druck der beiden Weltkriege zwang die meisten Staaten, ihre Zuflucht zu dieser Steuer zu nehmen, die in den vergangenen Jahrhunderten grosse Bedeutung besessen hatte. 1916 tauchte der Umsatzstempel zuerst wieder auf, 1917 fasste er in Frankreich Fuss, 1919 folgten Italien und 1921 Belgien mit der Einführung der allgemeinen Umsatzsteuer; auch in den Vereinigten Staaten sahen sich in der Wirtschaftskrise von 1929/30 viele Staaten gezwungen, eine Umsatzsteuer einzuführen. Vollends nach dem zweiten Weltkrieg griff die Umsatzsteuer auch in den Ländern um sich, in denen man sich bisher noch erfolgreich gegen sie gewehrt hatte, so 1940 in Grossbritannien und 1941 in der Schweiz und in Schweden.

Dieser ausserordentliche Siegeszug der Umsatzsteuer ist in den meisten Lehrbüchern noch keineswegs als solcher erkannt und gewürdigt worden.

Wenn wir bedenken, dass die Umsatzsteuer heute nicht nur in Deutschland die grösste Einzelsteuer unseres Systems geworden ist, sondern dass sie in manchen Ländern bereits annähernd die Hälfte des gesamten Steueraufkommens erbringt und wiederum in anderen Ländern in raschem Vordringen befindlich ist, so verdient diese Tatsache als ein sichtbares Zeichen einer Angleichung der Steuersysteme hervorgehoben und festgehalten zu werden.

Diese internationale Koordinierung des Steuersysteme ist, wenn man auf das *Wesen der Steuern* blickt, die unter den verschiedensten Namen in den einzelnen Ländern heute erhoben werden, bereits weiter fortgeschritten als man glaubt. Hält man sich an die Bezeichnungen Einkommensteuer und Körperschaftsteuer auf der einen, Umsatzsteuer und Verbrauchsteuern auf der anderen Seite, so schein der Prozentsatz, in dem diese beiden Gruppen an den Steuersystemen beteiligt sind, immer noch höchst ungleich. In Wahrheit ist ein Teil derjenigen Steuern, die wir herkömmlicherweise noch zu den auf die Einkommens*erzielung* gelegten Steuern zu rechnen pflegen, denen auf die Einkommens*verwendung* wesensmässig schon sehr nahe gerückt; von massgebenden Wirtschaftskreisen in den USA wird heute nicht nur die Körperschaftsteuer, sondern sogar die „Excess Profits Tax" als verkappte Umsatzsteuer bezeichnet, da die Unternehmen im Zeichen des Verkäufermarkts in der Lage sind, sich auch für die nach dem Masstab ihrer Gewinne berechneten Steuern in den Preisen schadlos zu halten.

Zusammenfassend lässt sich feststellen, dass neben den äusseren Faktoren einer Koordinierung der Steuersysteme, die wir einleitend kennenlernten, auch die *innere Dynamik der Mittelaufbringung,* der Praxis der Besteuerung und der Steuerwirtschaft wesentlich in der Richtung einer Zusammenführung der äusserlich und in ihrer Nomenklatur noch recht ungleich erscheinenden Steuersysteme gewirkt hat. Das markanteste Ergebnis dieser Entwicklung ist es vielleicht, dass die Steuern sich in ihrem Wesen gewandelt haben, meist ohne dass die öffentliche Meinung von dieser Wesenswandlung der Steuern bisher Kenntnis genommen hätte. Weder ist die Einkommensteuer mit ihrem Trabanten, der Körperschaftsteuer, heute noch jene nach der Leistungsfähigkeit des individuellen Einkommens ausgerichtete Progressivbelastung, die ihr ihren hohen sozialen Rang verschafft hat, noch besitzen auf der anderen Seite die Verbrauchsteuern und insbesondere die allgemeine Umsatzsteuer jene negative Note der Regression in dem Masse, wie man diesen Vorwurf früher vorschnell gegen sie vorzubringen pflegte.

In vielen Ländern ist es gelungen, durch Steuerbefreiung der Lebensmittel und anderer Massenbedarfsartikel auf der einen Seite, sowie durch eine mehr oder weniger zweckmässig durchgeführte Differenzierung der Umsatzsteuersätze für die Warengruppen des gehobenen Bedarfs auf der anderen Seite ein gewisses Element der Progression auch in die allgemeine Umsatzsteuer hineinzutragen. Das braucht nicht soweit zu gehen wie in der britischen „Purchase Tax", bei der sich zum mindesten in ihren oberen Tarifgruppen die bösen Erfahrungen der deutschen Luxussteuer aus den Jahren 1924/26 zu wiederholen scheinen; aber auch eine schwächere Differenzierung der Umsatzsteuer, die sich im wesentlichen auf eine Berücksichtigung des lebensnotwendigen Bedarfs mit herabgesetzten Sätzen oder Steuerbefreiungen beschränkt, kann eine gewisse Progression verwirklichen, die insoweit nicht mehr wesensnotwendig allein bei der Einkommensteuer zu finden ist.

Freilich führt die soziale Optik in den politischen Entscheidungen dazu, dass die Länder der parlamentarisch-demokratischen Staatsform diese Dinge in der Regel nicht offen beim Namen nennen und ihr Steuersystem nach reinen Zweckmässigkeitsgesichtspunkten aufbauen können. Das rationale Kalkül hat in einem Gebiet, das so stark von Leidenschaften und echter oder vermeintlicher Interessenwahrnehmung beherrscht wird wie die Steuergesetzgebung noch längst nicht die Durchschlagskraft erworben, um sich gegen demagogische oder politisch-taktische Erwägungen durchsetzen zu können. Rational betrachtet, ist die Regressionswirkung einer in den Preisen überwälzten Körperschaft- und Einkommensteuer, die keiner Lenkung und keiner Differenzierung zugänglich ist wie die der Umsatzsteuer, in der Regel sozial umso bedenklicher, als diese Steuern zum mindesten in den Preisen der unbedingt lebensnotwendigen Massengüter mit einem hohen Grade an Wahrscheinlichkeit enthalten sind, während die Überwälzung dieser Steuern in den Preisen der Güter eines elastischen Bedarfs u.U. weit weniger leicht gelingen mag. Aus diesem Grunde lautet die Fragestellung heute nicht mehr wie vor 80 Jahren: „direkte oder indirekte Steuer?", sondern „kontrollierbare oder nichtkontrollierbare Regression?". Kontrollierbar und lenkbar ist die unvermeidliche Regressionswirkung der heutigen hohen Steuerbelastung eher in einem rational aufgebauten Umsatz- und Verbrauchsteuersystem als in dem System einer überspannten Einkommen- und Körperschaft besteuerung.

Die Frage, wieweit derartige rationale Erwägungen und Erkenntnisse sich gegenüber den eingewurzelten doktrinären Vorstellungen für oder gegen die sogenannten „direkten" und „indirekten" Steuern durchsetzen werden, ist gewiss leichter gestellt als be antwortet. Ein starker Impuls dazu geht jedoch in allen modernen Industrieländern von dem im internationalen Exportwettbewerb neubelebten Streben nach erhöhter *volkswirtschaftlicher Produktivität* aus, die heute durch nichts so sehr bedroht ist wie durch die Besteuerung. Es ist charakteristisch, dass der Ruf nach einer grundlegenden Steuerreform in Dienste der Erhaltung und Wiederbelebung der Produktivität heute in allen Ländern vernehmlich geworden ist, die sich aus Gründen der Dollarlücke und der Stabilisierung ihrer Zahlungsbilanz um erhöhte Exporterfolge bemühen müssen; den Beitrag, den die Steuerreform zur Wiederherstellung der volkswirtschaftlichen Produktivität leisten kann, sehen die darauf gerichteten Bestrebungen in der Regel in einer Reform derjenigen Steuern, die die Produktion, den Erwerbswillen und die Exporterfolge der heimischen Volkswirtschaft am schwersten beeinträchtigen. Folgerichtig steht in den Ländern, die in der Überspannung der Einkommen- und Körperschaftsteuer am weitesten gegangen sind, wie Grossbritannien und Deutschland, der Abbau dieser Besteuerungsformen an der ersten Stelle der Reformprogramme; die deutsche „organische Steuerreform", deren Grundgedanken von einem Gremium unabhängiger Sachverständiger ausgearbeitet worden sind, sieht eine wesentliche Senkung der Einkommen- und Körperschaftsteuer, dagegen einen Umbau und Ausbau der Umsatzsteuer vor. In Frankreich dagegen, wo das Schwergewicht der Unternehmungsbesteuerung auf dem ausserordentlich verfeinerten und vervollkommneten Umsatzsteuersystem liegt, steht die Reform der Umsatzsteuer im Dienste der Stärkung der volkswirtschaftlichen Produktivität zur Debatte. Insbesondere soll die neue „Taxe unique sur la valeur ajoutée" gegenüber der bisherigen Produktionsteuer dadurch ausgebaut werden, dass Abzugsmöglichkeiten auch für Investitionsgüter zugelassen werden, womit sich die Umsatzsteuer ihrem Wesen nach stärker an eine Art Brutto-Einkommensteuer annähert. So wirkt auch die Sorge um Produktivität und Exportstärkung letzten Endes im Sinne einer Angleichung und Koordinierung der verschiedenen Steuersysteme, die in dieser Beziehung wie unterschiedliche Startbedingungen im internationalen Wettbewerb wirken; je stärker dieser Gedanke der Steigerung der Produktivität und der Förderung des Exports sich durchsetzt, umso eher und umso durchgreifender wird sich die Koordination der Steuersysteme vollziehen.

Die Diskussion der europäischen Steuerprobleme, wie sie zur Zeit im Rahmen der Gemeinschaft für Kohle und Stahl auf der hohen Ebene des Meinungsaustauschs der Sachverständigen stattfindet, ist ein hervorragendes Forum für eine internationale Aussprache und Auseinandersetzung über diese Probleme. Vor kurzem tagte in Luxemburg eine Sachverständigenkommission der sechs Länder, die die aufgetretenen Differenzen über den Begriff des gemeinsamen Marktes und über die Anwendung der Umsatzsteuerausgleichsmassnahmen und Umsatzsteuerbefreiungen durch eine gemeinsame Regelung, der alle beteiltigten Länder zustimmen können, überwinden sollte. Es erscheint nicht ausgeschlossen, dass von diesen Bemühungen einer kleinen Gruppe europäischer Experten Impulse ausgehen, die auf die Dauer auch der Rationalisierung und nicht zuletzt einer gewissen Koordinierung der europäischen Steuersysteme zugute kommen können.

THE LEVELLING OF THE EUROPEAN TAX SYSTEMS

BY PROFESSOR G. SCHMÖLDERS

SUMMARY

Tax structures and fiscal law tend to develop in a very similar direction in various countries owing to similar external factors, such as the necessity of financing wars or of mitigating their consequences, and to a similar inner dynamism of taxation driven to limits formerly unknown. For this process of tapping a certain percentage of the National Product for Public Finance there is only a limited choice of tax sources which prove both workable and satisfying; in the course of events, three major stages in this process, connected with the predominance of three large taxes, have emerged. The stage of land and property taxation, dominating in the first half of the 19th century, was followed by the complete victory of the income tax principle, including its rather unreasonable extension to corporate profits, which at present, by the extreme rates applied seems to have gone beyond its natural limits. Besides and instead, turnover taxes of various forms, from the sales tax to the British Purchase Tax, seem to seize the leading rôle in the modern tax structures on both sides of the iron curtain.

As income taxes deteriorated on the one hand into taxation of the masses originally exempted and protected by the principle of "taxation according to ability", and on the other hand into far reaching confiscation of business profits paralyzing the very incentives of our economic system, the inflation-proof turnover tax pushed on; in 1916 Germany revived its medieval „general excise tax", France (in 1917), Italy (in 1919) and Belgium (in 1921) following suit, and even Great Britain (in 1940), Switzerland (in 1941) and some years ago Sweden, introduced a sales or general turnover tax, which in Germany advanced to the first rank in producing revenue. Even where this process was delayed by a seemingly unbroken predominance of profits and income taxes, the very character and essence of these taxes seems to have changed; so for as at least part of their burden were shifted successfully to the consumer of goods and services, the so-called ability taxes have deteriorated into a regressive taxation which, from a social point of view, is a challenge for tax reform. The traditional alternative between "direct" and "indirect" taxation may be replaced, on this occasion, by a choice between "controllable" or "uncontrollable" regression effects of the tax structure; a

modern sales tax with progressive rates for higher-priced products, not affecting the prime necessities of life and even "utility" goods, leaves better chances for taxing according to ability than some of the so-called income and profits taxes which threaten the very spirit of capitalism in the western world.

LE NIVELLEMENT DES SYSTEMES FISCAUX EUROPEENS

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RESUME

La structure des taxes et la législation fiscale ont une tendance à se développer dans différents pays de façon très similaire. Ceci est dû à la présence dans ces pays de certains facteurs externes analogues, tels que la nécessité de financer des guerres ou d'en atténuer les effets; et encore à un dynamisme interne similaire en matière de taxation qui tend à prendre des proportions absolument inconnues dans le passé.

Dans ce processus, le problème qui consiste à prélever une certaine fraction du produit national pour alimenter les finances publiques ne laisse que peu de choix en ce qui concerne les sources d'impôts se prêtant à une exploitation à la fois pratique et satisfaisante.

On peut distinguer au cours des temps trois grandes phases dans ce processus; elles répondent à la prédominance de l'une des trois catégories importantes de contributions. La phase de l'impôt foncier sur propriété bâtie et non bâtie qui a prévalu pendant la première moitié du 19e siècle, a été suivie par la prédominance complète de l'impôt sur le revenu et l'extension prsequ' exagérée de cet impôt aux bénéfices commerciaux des sociétés. A cause des taux très élevés appliqués en matière d'impôt sur les revenus, cette taxation semble avoir largement dépassé les limites normales de ce genre de contributions.

A côté et à la place de cet impôt, divers genres d'impôts sur le chiffre d'affaires, depuis la taxe de transmission jusqu' à la taxe britannique sur les achats, semblent vouloir jouer le premier rôle dans la structure moderne des contributions de part et d'autre du rideau de fer.

Comme les impôts sur les revenus dégénéraient, d'une part, en taxation des matières impsables primitivement exemptées en vertu du principe de la taxation suivant «les facultés contributives», et d'autre part en une vaste confiscation des bénéfices commerciaux, entrainant la paralysie des stimulants mêmes de notre système économique, la taxe sur le chiffre d'affaires, qui semble être à l'épreuve de l'inflation, se fraya un chemin.

En 1916, l'Allemagne fit renaître son «impôt général indirect»

qui detait du moyen-âge. La France en 1917, l'Italie en 1919 et la Belgique en 121 en firent autant et, lors de la deuxième guerre mondiale, même la Grande Bretagne en 1940, le Suisse en 1941 et, pendant un certain nombre d'années, la Suède, introduisirent une taxe de transmission ou un impôt général sur le chiffre d'affaires, qui, en Allemagne a fini par occuper la première place parmi les recettes fiscales. Même dans les pays où ce processus a été retardé par une prédominance apparemment inaltérée des taxes sur les bénéfices et les revenus, le caractère et l'essence mêmes de ces dernières paraissent avoir subi une modification.

Pour autant qu'une partie tout au moins de leur charge ait pu être transférée au consummateur des denrées produites et des services rendus, les soi-disants impôts suivant «la faculté contributive» ont dégénéré en une taxation à incidence, qui socialement parlant. constitue un défi à toute saine réforme fiscale. L'alternative traditionnelle de «l'impôt direct» ou de «l'impôt indirect» peut à cette occasion être remplacée par le choix entre impôts dont l'incidence «peut être dirigée» et ceux dont l'incidence «ne peut pas être dirigée».

Un système moderne de taxes de transmission basé sur des taux progressifs pour les produits chers et sur l'exonération des articles de première nécessité et même des articles simplement «utiles», offre une plus grande change de se rapprocher de «l'impôt en fonction des facultés contributives» que ce qu'on appelle les taxes sur les revenus et les bénéfices, qui risquent de mettre en danger l'esprit même du capitalisme occidental.

TAX COURTS IN WESTERN GERMANY

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Two events account for some renewal of external interest in German tax remedies and procedures. The new West German Federal Government established in 1950 a Federal Supreme Tax Court (Bundesfinanzhof) which, after a lapse of several post-war years, succeeded within the area of the new Republic to the functions of the old Reich Supreme Tax Court (Reichsfinanzhof). In addition, the re-opening of Western Germany to the investment of foreign capital is increasing the number of foreign tax lawyers and accountants who must concern themselves with German tax matters.

A review of the special tax court system is a good starting point for understanding German tax procedures and remedies since these courts have jurisdiction over both Federal and state taxes, over Federal customs and fiscal monopolies, over the two major sources of local government revenue — the land tax and the trade tax — which are assessed by the state tax offices on behalf of the localities, and also over church taxes where administered by the state tax offices. In brief the tax court system has jurisdiction over customs, and over all taxes except very minor local taxes collected directly by local governments.

The tax courts are in two layers. The lower courts are technically state courts and the high appellate court a Federal court, but both hear state and Federal tax cases and constitute a closely integrated special court system which parallels a partially integrated Federal-state tax administrative structure. Some background on this structure is necessary for understanding the special court system.

For tax and customs purposes the Federal Republic is divided into Federal tax regions (major collection districts) which in general correspond to the Laender (states), except that three of the larger Laender (Bavaria, Wuerttemberg-Baden and North-Rhine Westphalia) are subdivided into two, four, and three regions respectively. All of the customs offices ¹) are Federal finance authorities, collecting customs duties and excise taxes. Of the latter, the beer tax is paid over to the Laender and the rest are retained by the Federal government. The tax offices ²) are state authorities, and collect Laender taxes (the most important of which are the income and corporation taxes) as well as certain local taxes. All these local tax and customs offices in a region are supervised by a chief regional tax office (Oberfinanzdirektion) which is headed by a chief financial president (Oberfinanzpraesident)[3]. The Oberfinanzpraesident is both a Federal and a Land official; he is selected by and reports to both the Federal Minister of Finance and a Land Minister of Finance.[4]) The Federal minister and the competent Land minister determine the area of the regions and the location of their combined Federal-Land supervisory authority. If they cannot agree the final decision rests with the Federal cabinet and the Bundesrat, the upper house of the Federal parliament.

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¹) Hauptzollaemter (main offices) and Zollaemter (branch offices).

²) Finanzaemter.

Since the Oberfinanzpraesident has a dual function, his office is staffed partly by Federal officials who supervise the administration of Federal taxes, and partly by Land officials who do the same for Land revenues. The allocation of turnover tax revenues to the Federal government under the Basic Law (Constitution) of 1949 created administrative difficulties because for technical reasons its collection had always been associated with the collection of the income taxes. In order to resolve this difficulty the collection of the turnover tax was made the direct responsibility of the Oberfinanzpraesident rather than of the Land tax offices or of the Federal custom offices.

Right of review.

If the taxpayer cannot convince the tax office of the rightness of his case, his next step is to appeal in writing [5]) to the citizen tax committee attached to the tax office. The committee is composed of a chairman, an elected representative for each local community (Gemeinde) of the tax office area, and from four to eight other elected members. The chairman is either the head of the tax office or an official nominated by him. In other cases the right of appeal may be to the Oberfinanzpraesident who is the highest administrative appeal authority.[6]) But the taxpayer, with or without higher administrative review, has on substantive tax matters [7]) the right of direct review by the special tax courts. The normal procedure after an adverse decision by the tax committee is to file an appeal with the special tax court of the area. Against their decision the taxpayer can carry the case to the Supreme Tax Court in Munich. The decision of this court is final. The ordinary courts have no jurisdiction over tax substantive matters. They may, however, be resorted to by the taxpayer in protection of his personal rights such as by review of administrative penal orders (imprisonment and fines), [8]) or the ordinary courts may be used by the tax or customs offices in the enforcement procedure (search, seizure, arrests etc.).

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[3]) There are in Western Germany 15 Oberfinanzdirektionen, 113 Hauptzollaemter (main customs offices), 16 Zollfahnungsstellen (customs investigation offices) and 499 Finanzaemter (tax offices).

[4]) Like the Gilbert and Sullivan POOH-BAH, he is a Federal official down to the waist and a state official from the waist downwards.

[5]) This is known as an objection (Einspruch).

[6]) Appeals to the Oberfinanzpraesidenten are restricted. See the section following on "Action before the Oberfinanzpraesident."

[7]) Questions of law or of fact.

To summarize, the taxpayer's means of redress in tax matters include the following:

1. An objection (Einspruch) dealt with by
   a. the tax office, or
   b. the citizen tax committee.
2. An appeal (Berufung) to the Tax Court.
3. A legal complaint (Rechtsbeschwerde) to the Supreme Tax Court for a final ruling.

Two additional forms of redress deserve mention:

4. A protest (Anfechtung). This procedure may be used only as to customs and excise matters in the American and French Zones. This is an appeal to the Oberfinanzpraesident (and thus replaces (1) and (2) above). From this decision there is in most cases the right of appeal to the Supreme Tax Court.
5. A complaint (Beschwerde). This form of appeal (direct to the Tax Court) is used in the case of certain acts or orders of the tax authorities other than those covered by the more normal Berufung procedure.

Remedies removing the decision to the tax courts or to a higher administrative level and the optional procedures for review of penal orders are discussed fully in succeeding sections. [9])

Lower tax courts.

The tax courts of first instance are the Finanzgerichte [10]) whose main function is to review upon appeal the administrative decisions of tax and customs offices [11]) or their auxiliaries. One Tax Court is normally located in each Federal tax region although in one instance one court (with chambers divided between two cities) functions for two regions. With but two exceptions, as seen from the following list, the courts are situated in the same cities as the Oberfinanzdirektionen:

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[8]) See section below on "Jurisdiction of the ordinary courts."

[9]) Discussion of remedies at the tax or customs office level is omitted in order to keep the article within manageable proportions.

[10]) Generally referred to as the "Tax Courts;" literal translation is "Finance Courts."

[11]) The term "tax office" is often used in this article to include both tax and customs offices. This conforms to usage in the Tax Ordinance (the Reichsabgabenordnung) which is cited as the RAO.

Land	*Oberfinanzdirektion*	*Finanzgericht*
Bavaria	Munich Nuernberg	Munich Nuernberg
Bremen	Bremen	Bremen
Hamburg	Hamburg	Hamburg
Hesse	Frankfurt, presently located in Wiesbaden	Kassel
Lower Saxony	Hannover	Hannover
North Rhine-Westphalia	Muenster Duesseldorf Cologne	Muenster Duesseldorf *) Cologne *)
Rhineland Palatinate	Koblenz	Neustadt a. d. Weinstr.
Schleswig-Holstein	Kiel	Kiel
Wuerttemberg-Baden **)	Stuttgart Karlsruhe Freiburg/Br. Tuebingen	Stuttgart Karlsruhe Freiburg/Br. Tuebingen

*) Of the Tax Court Duesseldorf-Cologne, four panels are located at Duesseldorf and two panels at Cologne.

**) The merging of three South West Laender has not been followed by any change in the location of Oberfinanzdirektionen or Finanzgerichte.

There is no Finanzgericht in West Berlin. Its functions are performed by the administrative court (Verwaltungsgericht). Since June 1952, however, appeals from this court in tax matters can be taken to the Supreme Tax Court in Munich.[12]

Originally the Finanzgerichte (Tax Courts) were attached to the Landesfinanzaemter (the regional supervisory authorities).[13] During the Nazi regime (in 1937 to be precise) the name of the Landesfinanzaemter was changed to the Oberfinanzpraesidenten, and as the Third Reich expanded the number of these major regional tax districts increased. There were twenty-one Oberfinanzpraesidenten in 1943. The Nazis made one important change in the Finanzgerichte; they ceased to be courts and became divisions of the regional offices. The protest procedure in general took the place of the appeal procedure. Final decision rested with the Oberfinanzpraesident. Legal complaints could be taken to the Reich Supreme Tax Court only with his approval and only in cases of great importance, or under extraordinary circumstances.

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[12] Drittes Ueberleitungsgesetz Art. 8 — a law which defines the financial status of Berlin.

[13] Tax Courts were first established by the RAO (Tax Ordinance of 1919). Special customs courts have never existed in Germany.

Following the capitulation of Germany, the Oberfinanzpraesidenten were kept as major supervisory authorities in most Laender but reporting to the respective Land Ministers of Finance. In a few Laender there was a return to the pre-1937 name of Landesfinanzaemter. The Finanzgerichte were retained in the American Zone as courts attached to these regional offices; in the British Zone they were made independent.[14])

With the establishment in September, 1949 of the new Federal government, legislation was drafted which reinstituted the former remedial procedures and organization with few but significant changes. By two laws in 1950, chief regional offices were established where the Laender had no such offices, and in order to bring nomenclature in line with that for other government agencies the name of all regional offices was changed to "Oberfinanzdirektion." Emphasis was put on the district and corporate body of the authority rather than on the head of the office.[15]) The Finanzgerichte were continued as special, independent courts rather than as sections of the administration.[16])

The members of the Tax Court are the president, the permanent judges (also called official "assessors"), and the honorary laymen "assessors." In the British Zone the president and other official members are appointed by the Land Finance Minister; in the American and French Zones these appointments are by the Oberfinanzpraesident.[17]) The president and all official members have life appointments. They must have qualified either as a judge or for the higher administrative civil service and, in addition, have been subsequently employed for at least three years either with the tax administration as a full-time member of an ordinary administrative court, or its equivalent, or as an advocate, tax adviser or accountant practicing in taxation matters. In some Laender the honorary assessors are elected for a term of five years by a committee consisting of the court president, a representative of the Finance Administration and seven other members elected by the legislature of the Land in which the court has its seat; in others for the same period by selfgoverning local authorities, or by representatives of the Laender and by professional associations.[18]) All members of the Tax Court are independent and responsible only to law.

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[14]) Article I, Ordinance No. 175, British Zone Military Government (February 1949). Appeals in the French Zone prior to 1950 were dealt with by administrative action.

[15]) See Explanation to Art. 3 of the Law on Financial Administration, September 6, 1950 (the Finanzverwaltungsgesetz, cited as FVG).

[16]) "Independent and subject only to the law."

[17]) This lack of uniformity which still persists between zones is temporary and will be corrected when a new Federal law on tax jurisdiction is enacted. For technical legal reasons, the zones may not be formally abolished upon the coming into force of the Contract with Western Germany. But these zonal divisions will probably cease to have any practical effect.

The Court is customarily organized into panels or chambers, and the work is distributed among the chambers as the president may decide. The Tax Court Duesseldorf-Cologne is for instance organized as follows:

Chamber 1: Property Taxes — Duesseldorf region.
2: Income and Property taxes — Duesseldorf region.
3: Verkehrssteuern (Turnover Tax etc.) — Duesseldorf region.
4: Customs and specialized Excise Taxes — both regions.
5: Income and Property Taxes — Cologne region.
6: Verkehrssteuern — Cologne region.

The first four chambers are located in Duesseldorf; the last two in Cologne.

The chambers are composed of five members each; the chairman and one other official assessor (permanent members) and three honorary assessors. The president of the Tax Court is nominally chairman of each of the chambers, but in practice he appoints substitute chairmen to represent him except in the panel where he chooses to preside. The president also determines for the business of a year the allocation to particular chambers of the chairmen and other official members, as well as the honorary members, and also of their respective permanent deputies.

Of the honorary members of the panel hearing a case, one must belong to the same professional or business group as the taxpayer. Honorary members must take a pledge that they will keep secret any knowledge gained from their work, and that they will not make unauthorized use of business or industrial secrets. Violation of tax secrecy is a serious offense. Although the office is honorary these assessors receive an expense allowance.

If a case heard before a Tax Court deals with real estate which is located entirely within one Land, the Land Government in question may request that a Land official be substituted as the official assessor in the case.

The use of honorary assessors is apparently a successful device. Officials in the Federal ministry assert that their use gives a broader basis for decisions, and that when well chosen their participation adds to public confidence in the Tax Courts. On the other hand, with a minimum of only nine honorary assessors provided for each chamber (i.e., three "shifts"), the burden on these laymen who usually have business or professional activities can be substantial. The chief official criticism is a practical one, namely that the preparation of cases often has to be done by the official members since they are in many cases the only ones with the requisite technical knowledge, and this throws a heavy workload on them.

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[18]) Chambers of trade and commerce, chambers of agriculture, trade unions, etc.

Action before the lower tax courts.

An appeal to a Finanzgericht is begun by filing with the local office whose decision is appealed a written request for a review.[19]) Appeal may be filed by telegram. The appeal is generally against an adverse decision of the tax or customs office or the citizens' tax committee upon an "objection" filed earlier. If the head of the tax or customs office agrees,[20]) this appeal may be made immediately without awaiting a formal decision.

The tax office forwards the appeal with all relevant records and documents to the Tax Court. The chief of the tax office may, where similar cases are awaiting hearing or where other official action is pending, postpone this action, but in this case an explanatory notice must be given to all parties concerned. Within two weeks of the receipt of such notice, the parties may ask the Tax Court to review the postponement.

The interested parties to the appeal are the applicant, the tax or customs office whose decision is being contested, and any person who is cited in the proceedings or has joined the proceedings.

A panel of the Tax Court is assigned the appeal. The presiding official, without calling in the members, may make a tentative decision which has the effect of a judgment unless the applicant requests a court decision within two weeks after notification of the judgment. This right, however, does not exist if the case does not have a value in excess of DM 100 (approximately $25). A temporary order is voided where a court decision is requested.

An oral hearing may be ordered, but the participants are not bound to appear. A recording clerk or a panel member is assigned to keep notes on the proceeding. Hearings are public. Judgments and decrees made on the basis of an oral hearing can only be issued by the members who participate.

The court is not bound by the application filed. The decision is in accordance with the evidence and new facts and proofs may be submitted at any time. Evidence may be taken during or before the proceeding. The panel chairman conducts the proceeding and directs it and the pleadings toward the disclosure of facts. All documents, listings, drawings, etc. are available for inspection by the participants. Copies may be furnished by the court, but constitute an assessable cost. Decisions are arrived at by simple majority with the panel chairman voting last. Members participating in the judgment must be named, and the judgment signed by the chairman, or in his absence by the ranking member. The judgment is pronounced through the reading of the findings, and must be automatically communicated to all parties. Costs of the proceedings are in general payable by the unsuccessful party.

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[19]) The time limit is one month from the date decision was issued. An appeal is not invalidated by choice of the wrong form.

[20]) Approval if given must be within one month after appeal is filed. Where such approval is not granted on time the proceeding is handled as an objection.

Generally the Tax Court decides the matter without referral to the tax office for further administrative action. This is true even when the records sent up lack important evidence. The decision of the Tax Court is final unless appealed to the Supreme Tax Court by legal complaint procedure.

In the British Zone the appeal procedure can be used by the taxpayer to review tax assessment orders, notices of valuation, determinations of the tax base, orders taking property into custody, customs notifications and lump-sum tax settlements. Ordinance No. 175 of the British Zone Military Government (February 1949) establishing the Tax Courts gave them broad review authority under the appeal procedure over customs and all taxes. On the other hand, in the American and French Zone Laender, insofar as customs and excise taxes are concerned, the protest procedure applies, which means that the matter is dealt with by the Oberfinanzdirektion. The appeal procedure in regard to all other taxes is, however, the same.

The Tax Courts in the British Zone may also review certain special matters under the complaint procedure (Beschwerdeverfahren).[21]) In general this procedure applies to other tax and customs orders or decisions not mentioned above. Examples are orders of any agency which has been requested or commissioned by the Tax Court to take evidence on the latter's behalf; orders of a Tax Court made in collection proceedings; tax notices which demand payments in advance; notices threatening penalties; and orders based on a judicial decision where the court was without jurisdiction in the matter.

Action before the Oberfinanzpraesident.

Within the American and French Zones the chief financial presidents can review actions or decisions by local offices and their auxiliaries in several types of cases:

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[21]) Article XVIII, Ordinance No. 175 *supra*.

(1) Orders or decisions involving customs or excise taxes. Application for review is by the protest procedure (Anfechtungsverfahren) which is the counterpart of the appeal procedure used in all other cases.

Where upon a protest the customs office will not revoke or amend the order, it must then submit the matter to the Oberfinanzpraesident. He may, however, in lieu of giving his own decision, require the customs office to revoke or amend the order.

(2) The protest is used also in a special case. Where a tax or customs office has placed title to confiscated goods in the government because no one has yet claimed them after seizure, there is no legal remedy. The person affected may protest to the Oberfinanzpraesident who must render a final decision as to the title.

(3) Any grievance or injury arising from orders of the tax or customs offices, or their auxiliaries. The applicant must use the complaint procedure (Beschwerdeverfahren) for this type of review. The local office must submit the complaint to the Oberfinanzpraesident for review if it will not redress the grievance. A decision of the Oberfinanzpraesident is final except for review of a decision under RAO 202 (orders made in connection with the preparation, securing and examination of assessments). In these cases there is a right of appeal to the Supreme Tax Court.

(4) Where a penal order has been issued by a tax or customs office, the defendant has the option of appealing by a legal complaint (Rechtsbeschwerde) to the Oberfinanzpraesident, or of removing the case by petition to the ordinary courts. The petition for a court decision will exclude the right of filing a legal complaint, and vice versa. The statute of limitation for filing a legal complaint is one week from the date of the issuance of the penal order. The legal complaint must be filed in writing or verbally with the office that issued the order. Decision on the legal complaint is made by the Oberfinanzpraesident personally.

This option and review by the Oberfinanzpraesident constitute the practice not only in the Laender of the American and French zones, but also of the British Zone. In addition, the Oberfinanzpraesident must in all zones hear certain matters in the first instance:

(1) an objection filed against a customs report made by him, or against an order which he issued fixing the quota rate on the basis of an excise tax.

(2) a protest against his action in other matters. For example, his decision barring a chronic tax violator from continuation of his enterprise or professional activity either for a limited time or permanently.

Where review of an Oberfinanzpraesident's decision is allowed, the legal remedy is an appeal to the Supreme Tax Court. There is no restriction as to the sum involved, and the procedure is the same as that described for the appeal to the Supreme Tax Court in the appeal procedure (Berufungsverfahren). However, the head of the customs office is not entitled to appeal, but the Oberfinanzpraesident is a party to the case.

The Supreme Tax Court.

The Bundesfinanzhof is an appellate court of exclusive jurisdiction. Since no action may be brought before any other court where remedy is available in this court, 23) substantial uniformity in the application and interpretation of tax laws is achieved.

Its predecessor, the Reich Supreme Tax Court (Reichsfinanzhof) was organized in 1918 at Munich and its composition and jurisdiction codified in the RAO (Reichsabgaben ordnung) the next year. 24) Before that date there was no high appellate tax court in Germany. During the Nazi period the Reichsfinanzhof continued to function as the highest authority for appeals. It also determined the quotas for the various districts under the Finanzausgleichsgesetz (financial equalization law). Following the capitulation of Germany, Reich central agencies, with very few exceptions, were abolished including the Reichsfinanzhof. The court in Munich survived as the Bavarian Land tax court; it was later adopted as the final tax appeal court by the two other southern Laender of the American Zone. 25) In the British Zone, the Zonal Finanzleitstelle served as the appellate tax court until mid-1948 when it was dissolved following establishment of the Combined Economic Area (Bizone). No Bizonal Supreme Tax Court was ever established. The Bizonal Economic Administration worked to convert the court at Munich into a Bizonal court but the Bipartite Control Office was opposed, primarily because the British and American lawyers felt that the new Bizonal Supreme Court (a general court) at Cologne could hear tax appeals. After establishment of the Federal government at Bonn a Bundesfinanzhof was established in Munich and cases on appeal before the Bavarian court were transferred to this new Federal court. The seat of the old court (since 1923) is being used. The building, apart from one of its

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23) Article 5 of the Law of 1950 establishing the Bundesfinanzhof (Gesetz ueber den Bundesfinanzhof vom 29 Juni 1950).

24) It is interesting to read that the choice of Munich was justified by the first president of the Court on the grounds that close contact with the government departments in Berlin was not necessary and that so far as the Court was concerned the State as plaintiff had no claim to greater consideration than the taxpayer as defendant.

25) Wuerttemberg-Baden and Hesse.

towers, came through the war undamaged as did its valuable library. 26)

The court is not a constitutional court but was created by a Federal law. The Basic Law (Constitution) provides only that "the jurisdiction of Tax Courts shall be uniformly regulated by federal legislation" (Article 108[5]).

The court consists of a president, vice-president, three panel presidents, and twenty-one tax judges. These "members" are all appointed for life by the President of the Republic, have the status of judges, and as such are independent and subject only to the law. 27) The administrative staff is appointed by the Federal Finance Minister. 28) The members are nominated by a Bundestag 29) Committee for the Selection of Judges plus the Land Finance Ministers. The Federal Finance Minister presides over the nomination session, does not vote, but may make suggestions as to applicants. Following the election of nominees (by majority vote), the Federal Minister, if he concurs, requests their appointment by the President of the Republic. 30) An analysis of the background of the appointments in 1950 shows that all the members were career civil servants — twelve had been serving as judges in the existing special tax court system, six transferred from senior posts in the finance ministries, and the other eight were men who had held important career posts.

The court is organized into a Gross Senat (a high chamber) and at present five Senats (panels or chambers). The Federal Finance Minister determines the number of panels. Before the beginning of each fiscal year the president, the panel presidents and the three senior judges meet to distribute the work among the panels, and to appoint permanent panel members and their alternates.

The Gross Senat is made up of the president, who is the chairman, the panel presidents, and in each individual case a judge responsible for the matter before the court. The Gross Senat must decide on problems which go beyond the scope of business of any one panel, where tax policy questions are submitted to it for expert opinion, or where the Federal Minister of Finance asks for interpretation of tax laws. The Gross Senat also passes on legal questions submitted to it

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26) A brief history of the building at Ismaningerstrasse appears in the *Deutsche Zeitung*, September 24, 1952.

27) The salary and status of the ordinary judges are equivalent to that of a Ministerial Dirigent; the Senat presidents are the equivalent of Ministerial Direktors, and the Chief President has the rank equal to a Staatssekretaer.

28) A Regierungsrat is executive officer of the court. The fiscal 1951/52 budget of DM 939,500 (approximately $ 225,000) provided for a staff (as distinguished from members) of twenty.

29) Lower House of Parliament.

30) Article 9 of Law of 1950 establishing the Bundesfinanzhof.

by panels when they wish to depart from a precedent established in published decisions of the court. An oral hearing in such case may be held before the Gross Senat.

The panels are composed of five members each. The panel presidents preside; the court president is the chairman of the panel which he elects to join. The panel president allots the business among the members. Decisions are by majority vote. The present allocation of functions is as follows:

Gross Senat	Supreme authority under RAO 66(1); allotment of taxes between Bund and Laender under the Financial Adjustment Law; questions arising out of the RAO and the Valuation Law; matters of joint concern to all Senats.
Senat 1	Corporation tax; Berlin aid; trade tax; legal complaints; uniform ascertainment of profit.
Senat 2	Capital transactions tax; negotiable instruments tax; tax on transfer of real property; motor vehicle tax; transport tax; insurance tax; betting and lotteries tax; Laender document tax; matches monopoly.
Senat 3	Property tax; land tax (Grundsteuer); inheritance tax; church tax; Immediate Aid levy; emigration tax; valuation of industrial plants.
Senat 4	Income tax; wages tax; trade tax; financial adjustment; double taxation.
Senat 5	Turnover tax; customs and excise taxes; beer and beverage tax of Laender and communities.

The procedure of the court is regulated by a plan which has to be approved by the Federal Finance Minister. Two types of decision are rendered: decree proceedings (Beschlussverfahren) in matters specially delegated to the court by law (e.g. interpretation of tax laws); and proceedings on legal complaints (Rechtsbeschwerden). Decree proceedings are decided by at least three members including the chairman. Legal complaints are decided by panels. Decisions of the court which are of general interest and importance are published in the *Bundessteuerblatt.*[31]

Removal of cases on appeal to the Supreme Tax Court

Appeals to the Bundesfinanzhof arise from three different sources:

1. decisions by the Tax Courts.
2. decisions by the Oberfinanzpraesidenten.

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[31] The Bundessteuerblatt since 1949; previous to 1945, the Reichssteuerblatt. During 1946/48 a Steuer und Zollblatt for the British Zone was published by the Finanzleitstelle.

3. decisions by the Federal Alcohol Monopoly Administration.[32])

Appeals to this court are not matters of right. The court itself does not hold preliminary hearings as to whether it will review a case on appeal or not, but leaves such decision to the discretion of the Tax Court or the Oberfinanzpraesident. A refusal of consent to an appeal cannot be contested.

An appeal is begun by filing a legal complaint (Rechtsbeschwerde) with the Tax Court, Oberfinanzpraesident, or the alcohol monopoly office whose decision is to be reviewed. The appeal may be filed by an appellant taxpayer or by the president or head of the court or office involved. The complainant must submit a supporting brief. The complaint, the brief and any other pertinent documents must be transmitted to the high appellate court not later than the time limit set for the brief.

The grounds for appeal must be either:

(1) that the decision disregarded or erroneously applied existing law; or

(2) that the decision was clearly not consistent with the facts, recorded in the files, or that the proceedings were not sufficiently supported by evidence. The brief must identify the errors or misuse claimed, and supply the facts alleged to be missing.

Almost all types of decisions subject to intermediary review by the Tax Courts or the Oberfinanzpraesidenten come up for review. Under the RAO, however, certain appeals are not admissible:

(1) where the amount involved is not in excess of DM 200 (unless the dispute has a particular legal importance) except for customs and excise taxes where there is no minimum amount.[33])

(2) decisions by the Oberfinanzpraesident in reviewing cases which involve public-law taxes (other than church taxes) which are administered on behalf of certain associations organized under public law.

(3) revocation by an Oberfinanzpraesident of a tax adviser's right to practice before the Tax Courts (see section "Practitioners before the tax courts").

(4) refusal by a Tax Court to recognize in a tax case a person as counsel, or as a proper representative with a power of attorney.

The parties to the appeal are the persons who participated in the appeal to the Tax Court or before the Oberfinanzpraesident.

The chairman of the Senat which will handle the review decides whether the action is in order and was filed in the required form and time. An oral hearing may be requested, in which case it is public. A member may be appointed to assemble the facts. New evidence may also be considered. The Senat makes its final decision in closed session and votes by simple majority. The judgment, formulated by the chairman, is generally signed by all members but where this is not possible a notation must appear on the judgment.

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[32]) Article 4 of Law of 1950 establishing the Bundesfinanzhof.

[33]) RAO Sec. 286, as amended by Art. 6 of Law of 1950.

The Supreme Court may either render a final decision in the case, or refer the matter again to the Tax Court, or to the administrative authorities, for appropriate action.

Jurisdiction of the ordinary courts.

Except for criminal charges of tax evasion the ordinary courts, which have civil and criminal jurisdiction, are not used in adjudicating tax matters. 34) Such action is prohibited by RAO, Sec. 242. Even when an ordinary court deals with a tax evasion or infringement, it cannot probe into the question whether, or in what amount, there exists a tax claim. Normally there will be a prior and final administrative adjudication because the assessment order sent out becomes final unless appealed within a certain period. Prior administrative dicision in such matters is binding. If such decision has not yet been made final by a Tax Court or by the Supreme Tax Court, ordinary court action must be suspended until the substantive decision is made final.

Third parties, however, may under certain circumstances use the regular courts to protect their rights. For example, where a third party does not own the property subject to an attachment for tax purposes, but has other rights of attachment or priorities, this third party may file a counter-claim asking for a stay of attachment and suspension of the execution, or for prior satisfaction from the sums realized from sale under execution.

The main functions of the ordinary courts in tax matters, however, are (a) to assist in tax enforcement procedure when requested by the tax or customs offices and (b) to give the defendant taxpayer who has been punished through administrative penal procedure a right of court review.

The ordinary courts are often used by the tax or customs offices as an auxiliary arm in tax enforcement and in punishing tax violations. The RAO prescribes the circumstances:

(1) where an excise or customs violation is suspected, the tax or customs office may request the competent court or its officers to conduct a search. This is the normal procedure, but where delay would be dangerous (e.g. with customs and certain excise taxes) the search may be by tax and customs investigation officers upon order of the tax or customs office or a regional customs commissioner.

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34) Except for appeals against decisions on minor local taxes.

(2) where a tax payment is not made, and the tax office requires a listing of the taxpayer's property under oath, the tax office may administer the oath or, if the taxpayer objects, may apply for the local court to administer it.

(3) where a defendant in a penalty proceeding does not appear upon summons, he can be examined on the request of the tax office by the district court of the district where he has his domicile or usual residence.

(4) where a personal arrest for security purposes is required to assure an attachment, the district court in the locality of the taxpayer's residence or domicile executes the arrest, and determines the limitation on personal freedom.[36])

(5) where letters and parcels in the postal service, and also telegrams in the telegraphic service are required, the local ordinary court may, upon request by the head of the tax or customs office, order that they be attached, opened, and transmitted.

(6) execution on immovable property is governed by the provisions for execution under court order. The district court appoints a trustee as representative of the debtor who must surrender the property to such trustee. The tax office acquires a securing mortgage for its tax claim which the trustee must record.

(7) where there are several creditors, or several attachments, the tax office may deposit the amount realized from an execution, or sale upon execution, with the district court for proper distribution.

(8) if a money penalty imposed by a tax office proves to be not recoverable, the ordinary court must on the application of the tax office, substitute a term of imprisonment.

(9) upon application of the Oberfinanzpraesident and the taxpayer whose interests are affected, the public prosecutor must initiate proceedings in a case of breach of tax secrecy.

The second role of the ordinary courts is to protect the taxpayer's civil rights by reviewing penalty orders.[37]) This is basic.

(1) after a tax office has issued a penalty order[38]) in a tax violation case, the defendant has alternative courses of action. He may contest the penalty order by appeal (legal complaint) to the Ober-

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[36]) In practice a personal arrest is seldom made because the deposit of a fixed amount of money avoids the arrest.

[37]) Penalty orders may include imposition of a fine, confiscation of goods or property, disqualification for a period from holding public office, disbarment from continuation of business or professional activities, and placing the tax violator's name on the criminal list.

[38]) This penalty order (Strafbescheid) is a formal action not used if the taxpayer admits his offense unreservedly and agrees to pay the penalty fixed. The order must set forth the nature of the offense, the article of the law under which the penalty is incurred, the evidence, the amount of the penalty, and the taxpayer's right of appeal.

finanzpraesident, or he may petition the tax office for a court decision. Petition for a court decision must be made in writing or verbally within a week after issuance of the order. The tax office may either revoke the penalty order or transmit the case to the public prosecutor with the request for court action. The public prosecutor after satisfying himself that the formalities have been observed must submit the case to the court without a writ of accusation. The court is not bound in its judgment to arrive at the penalties provided for in the order.

(2) where a taxpayer under suspicion of a tax or customs violation has been provisionally arrested [39]) by order of a tax or customs office or by its officers without an order, the party under arrest has the choice of being taken to the nearest tax or customs office for hearing, or to the district judge in the district of his arrest. Where the violation requiring the arrest is found punishable by fine or confiscation only, the defendant must be released, provided he gives surety, or provided he identifies himself and it is found that surety is not required. Only the district judge can detain the defendant and he for only a limited period awaiting further action.

Only in certain special cases do the ordinary courts get original jurisdiction over a tax violation or customs infringement and the investigation is by the public prosecutor: when the person has already been arrested and charged with tax fraud; when the person has violated other laws as well as tax laws and prosecution has begun under those other laws; or when a person has committed a series of acts rendering him liable to other than tax penalties. In such a case the public prosecutor may request the tax office to make further investigation of the facts and to rule insofar as money penalties and confiscation of goods are concerned.

Jurisdiction, however, may be transferred. Where after investigation a tax office substantiates its suspicion of violation, it may transfer the proceedings to the public prosecutor provided its jurisdiction does not extend or appear to extend over the violation or the defendant. Where the RAO prescribes imprisonment for certain types of offenses, such as violation of tax secrets; counterfeiting tax or customs markings; and re-using, procuring or selling cancelled tax or customs markings, the case must be transferred to the public prosecutor and the ordinary courts. But as long as the tax office has not transferred the case, the courts and the prosecutor may not intervene except where the defendant has been temporarily arrested and has been brought before the judge. If the public prosecutor disagrees and holds that the tax office has jurisdiction, the proceeding is returned for administrative action.

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[39]) The law allows a provisional arrest when a person is caught in the act (e.g. smuggling) and attempts to escape or his identity cannot be established, or when there is a strong cause for suspicion and the cause of justice would be endangered by delay.

Where the public prosecutor retains the case, the tax office has the status of co-prosecutor. This means that the tax office may call its own witnesses and may participate and be heard in the case. If the ordinary court has jurisdiction and the public prosecutor declines to take the case, the tax office may prosecute it before the ordinary court.

Practitioners before the tax courts.

The same rules govern practice before the Tax Courts and the Supreme Tax Court. Generally the taxpayer is represented before a court by one trained in tax matters, and he may employ this assistance at any phase of the proceedings. He is permitted, however, to enter the courts and personally handle his own case. Where the taxpayer has a representative the courts deal exclusively with this practitioner.

The major work in practice before the courts is the drafting of written submissions. Oral arguments are seldom given; most decisions are made on the basis of the written submissions. Processing a case through the Tax Courts requires on the average from three to six months. A case before the Supreme Tax Court may require anywhere from two to twelve months (and occasionally longer). Although appeal costs are less in the special tax court system than in the ordinary courts, not every wronged taxpayer can afford to run the financial risk of losing and having to pay all court fees and expenses arising at all stages of the appeal procedure.

Those authorized to practice before the Tax Courts include: tax advisers, tax advisory companies, attorneys, notaries public,[40]) counsels of administrative law,[41]) patent attorneys, public accountants, publicly appointed auditors and cooperative auditing associations. Attorneys and notaries public are automatically licensed to practice before the Tax Courts. Others require approval of the Oberfinanzpraesident. He may revoke his approval at any time, and no court, civil or administrative, can review the propriety of such revocation.

Tax attorneys, tax advisers and public accountants do the same type of work in tax matters. Where a business firm already deals with an attorney or an accountant, he may also advise and represent the firm in tax matters. The tax adviser (Steuerberater) is more customarily used. Tax advisers must be primarily engaged in rendering assistance in tax matters.

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[40]) A notary public is always a lawyer.

[41]) Civil servants or employees of public authorities who give advice on legal questions within their public function.

The qualifications for a tax adviser are high. The different Laender laws vary as to conditions and professional qualifications,[42]) but in general a university degree is required plus three years' experience in tax matters. A tax advisory company can be admitted to practice only when it is primarily engaged in such work, or in a related legal, technical capacity, and has at least one owner or member of its board of directors or managers who is a licensed tax adviser. His family name and one given name must be shown on all business letters. There is no geographical limit within Western Germany on the right of licensees to practice. Where an applicant is refused a license, the exclusive remedy is a special complaint to the Federal Minister of Finance.

In addition to tax advisers there are "assistants in tax matters" who may assist in compliance with tax accounting, tax penalty, and other matters. They require a prior general license from the tax office for the district in which the applicant resides. The applicant must meet certain technical standards which are below those for a tax adviser. The assistant must prove only certain knowledge in the field of taxation; prior education and experience are not required. Such assistants in tax matters work mainly for private persons and retailers, whereas tax advisers handle more complicated matters and the work of larger business firms. In the case of legal entities, partnerships and similar associations, the license authorizes activity only by the persons specified by name in the license. The license is generally issued only for a specified locality but no geographical limitation applies to tax assistance rendered in written form. This license may at any time revoked.

During the latter part of the Nazi period there was a Reich Chamber of Tax Advisers which also included assistants in tax matters and companies of tax assistants. This was reconstituted for the British Zone by a Leitstelle decree of September 24, 1947. There has now been established in Bonn an association of tax advisers and tax assistants. The leading technical journal in this field, *„Der Betriebsberater,"* is published in Heidelberg.

The provisions regarding fees paid tax practitioners are complicated. The tax accountants and attorneys have their legally approved fee ordinances. The tax advisers use partly the attorneys' and partly the accountants' fee schedules, but also other fee schedules issued in the past. In general there is a "value fee" and a "time fee" or a combination of both bases. A uniform professional law for tax advisers and assistants is being prepared by the Federal Ministry of Finance.

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[42]) Generally speaking, the technical qualifications required are highest in the British Zone, while in the American Zone the profession has more opportunity to use its influence in regard to approval given to candidates by the chief financial presidents

Where tax violations are suspected, persons furnishing advice or tax assistance professionally or for a fee (with the exception of lawyers and notaries) may be required to submit to the tax office all business papers dealing with the matter. Licenses may be cancelled if it is proved that there was collusion. Lawyers are also bound to disclose facts which have come to their notice in dealing with a tax case unless such action would implicate their principal in penal proceedings. Institution of penal action against attorneys or notaries for neglect of their professional duties in tax evasion matters must be preceded, however, by action in a professional court of honor, upon the request of the Oberfinanzpraesident, which must establish a violation of the professional code.

Refusal of presiding officials in hearings before Tax Courts to recognize a person or representative with a power of attorney, or as counsel, is final. There is no remedial procedure either before the civil courts, or to the Supreme Tax Court.

Appraisal.

The Anglo-American mind is attracted to the German special tax court system, first perhaps because no counterpart is known in either the United Kingdom or United States court systems. In both countries tax cases are handled by the ordinary courts. The Tax Court of the United States belies in part that generalization but is only one avenue in the process of reviewing administrative rulings on Federal taxes, and even after this court review the taxpayer still has recourse to the regular Federal appellate courts. Moreover, he may initially choose to avoid this special court and pursue his remedies solely in the regular courts. The British system is a compromise. The British taxpayer who is aggrieved has in the first instance the right of appeal either to (a) the local Commissioners of Income Tax (an unpaid, voluntary body, consisting often mainly of retired businessmen); or to (b) the Special Commissioners of Income Tax (a body of permanent officials). Against a decision of either of these bodies, a taxpayer or the revenue authorities may appeal to the High Court of Justice. Although this court deals with all other classes of civil litigation, in practice certain numbers — referred to as "revenue judges" — specialize in tax appeals. From the High Court, either party may take his case a further stage to the Court of Appeal and from its decisions — providing that the Court of Appeal itself is satisfied that a matter of general public interest is involved — the case may be taken to the House of Lords, which is the highest judicial authority in the United Kingdom.

There is considerable merit in the German system. Tax cases are sufficient in volume and technical enough in character to warrant special courts. The calendars of ordinary courts are thus relieved for other work and tax cases can be handled more expeditiously. Moreover, the organization of the chambers for work results in further specialization by major types of taxes. These are full-fledged courts in the Anglo-American sense, and not administrative bodies, and are completely independent from the Finance Ministers and other financial administrative authorities. These courts interpret the tax laws and regulations and, although not bound by precedent, in practice do take into consideration decisions in previous cases. A further advantage as compared with ordinary courts is that the procedure in the tax court is less formal, less expensive, and open to practice not only by attorneys but by accountants and tax advisers. The inclusion of customs and tax cases in the same court follows the administrative pattern of placing customs and excise taxes under the same collection authorities.

In the second place the American mind, accustomed to separate state and Federal courts in a Federal system, is struck by a dualism in the German tax courts. The lower courts are technically state courts and the high appellate court a Federal court, but both hear state and Federal tax cases and constitute a well integrated special court system, paralleling a partially integrated tax administration system. This is highly desirable because it ensures that tax laws are interpreted uniformly throughout the Federal area; a separatism under a strict Federalist doctrine would serve no useful purpose. There seems to have been a careful balancing of state and Federal interests. Despite the fact that these are not constitutional but statutory courts, the system with some 30 years of tradition seems permanent.

There is evidently considerable room for improvement in the internal administrative practices of the Supreme Tax Court. Methods of operation which are outmoded have become traditional. It has been suggested that the court employ high type lawyers and accountants as assistants but the pay is hardly sufficient to attract important members of the profession to such positions.

It would also seem desirable that the decisions of the Tax Courts be published in an official journal together with the reasoning (Begruendungen), just as are the Supreme Tax Court decisions. Occasionally a technical journal will publish a Finanzgericht decision of general interest to its readers, and criticisms of decisions can be found in the press. It would also be useful to students of judicial and tax administration if the administrative officer of the high court published an annual report on the work of the special tax court system as a whole.

From a legal standpoint the taxpayers' rights, both civil and property, seem only partially protected against arbitrary action by local tax and customs officers and other administrative authorities. It is a little disturbing to know that the right of appeal to the Supreme Tax Court lies wholly within the discretion of the Tax Court which has ruled against the taxpayer, or of the Oberfinanzpraesident, and that the refusal of consent to an appeal cannot be contested. The facade of safeguards is there: opportunities for hearings, counsel and technical advice; appeals (in certain cases) from a lower administrative level to a higher administrative level, and to one, or sometimes, two levels of tax courts; and with the option of an ordinary court decision on penalty orders immediately after their issuance by the original administrative authority. In practice, however, the legal safeguards cannot always be invoked. The tax offices and the Tax Courts have been accused of normally giving the government the benefit of the doubt. Not every wronged taxpayer can then run the financial risk of an appeal to the Supreme Tax Court. If he loses, he has to pay all costs. Even if he wins he still has to bear the cost of his own legal representation. The government is better able to pursue appeals.

The form of the Finanzgerichte varies in some of the Laender although uniform within the British Zone. It was inevitable that in the immediate post-war period, during which Germany was divided into separate zones of occupation, divergencies would develop in tax administration and structure. Uniformity, however, is being gradually restored. Under the Basic Law, Article 108(5), finance jurisdiction must be uniformly regulated by federal legislation. A Federal law on tax jurisdiction (Finanzgerichtsbarkeitsgesetz) is under consideration.44) One purpose is to make up-to-date those sections of the Reichsabgabenordnung (RAO) of 1919 which deal with tax appeal procedure. Another purpose is to establish the status of the Tax Courts — whether Federal or Laender or a mixed status.

The exact pattern the new law will follow cannot be foreseen. The two major differences between the British Zone Laender on the one side and the Laender of the American and French Zones on the other will no doubt be resolved. Appointment of the president and other official court members by the Land Finance Ministers — the British Zone pattern — will probably prevail. Whether in the American and French Zone Laender the appeal procedure will take the place of the protest procedure for review of customs and excise taxes is the other moot question.

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44) A recent draft ran to 127 sections on 49 pages.

LES TRIBUNAUX DE TAXATION EN ALLEMAGNE OCCIDENTALE

PAR A. M. HILLHOUSE ET H. W. M. COPEMAN

RESUME

Le nouveau gouvernement fédéral d'Allemagne occidentale a créé en 1950 une Cour suprême fédérale de taxation (Bundesfinanzhof), qui a repris dans le cadre de la nouvelle république, les fonctions de l'ancienne Cour suprême de taxation du Reich (Reichsfinanzhof). Cette haute cour, qui exerce à titre exclusif la juridiction d'appel, constitue, avec quatorze tribunaux de rang inférieur, un système juridictionnel de taxation spécial, intimement intégré. Sa juridiction s'étend aux domaines des impôts fédéraux et des impôts d'état, des droits de douane fédéraux et des monopoles fiscaux, de l'impôt foncier et des taxes sur les transactions commerciales (qui constituent les deux sources majeures des revenus des administrations locales et qui sont enrôlés et recouvrés pour le compte des communes par les soins des bureaux de contributions des états) ainsi qu'aux impôts ecclésiastiques lorsqu'ils sont du ressort des bureaux des contributions des états. Cette intégration en un système unique, composé d'une cour fédérale d'appel et d'un ensemble de tribunaux d'état de rang inférieur ayant chacun des pouvoirs juridictionnels mixtes, fait naître une dualité qui, bien qu'elle ne constitue pas une innovation en Allemagne, a depuis 1950 retenu derechef l'attention des spécialistes en matière de fédéralisme. Se rapporte encore à ce problème, la disposition qui est en vigueur depuis 1951 et aux termes de laquelle les recours d'appel en matière d'impôts de Berlin-ouest peuvent être soumis à la Cour suprêpe fédérale de taxation.

Parallèlement au rétablissement de ce système juridictionnel intégré (au niveau fédéral et état), l'Allemagne occidentale a essayé de réaliser à l'échelon du fonctionnaire régional dirigeant des finances (Oberfinanz-praesident), dans chacun des quinze districts de recouvrement des impôts, au moins un certain degré d'unification des services de l'administration des contributions, qui, à l'heure actuelle, est répartie entre les bureaux fédéraux des douanes et des accises, d'une part, et les bureaux d'état des impôts sur les revenus, sur les sciétés et autres, d'autre part. Ayant une compétence administrative double, le bureau de l'Oberfinanzpraesident est composé en partie de fonctionnaires fédéraux et en partie de fonctionnaires d'état, et l'Oberfinanzpraesident lui-même réunit en sa personne les qualités

de fonctionnaire fédéral et de fontionnaire d'état. La séparation profonde, bien qu'incomplète des sources d'impôts, telle qu'elle est établie par la charte fondamentale (Constitution) de 1949, et l'absence d'un système fédéral unique dans le domaine de l'administration des contributions, font un vif contraste avec ce système de tribuneaux de taxation fortement unifié.

L'indépendance des tribunaux inférieurs par rapport à l'administration des finances du Reich, bien qu'affaiblie sous le régime nazi, a été rétablie au cours des premières années d'occupation. Cependant, la forme de ces tribunaux n'est pas encore la même dans tous les états. Il était inévitable que pendant la période qui a suivi immédiatement la guerre et pendant laquelle l'Allemagne était divisée en zones d'occupation séparées, les divergences se produisent dans le domaine de l'administration et de la structure des impôts. Les divergences existant dans les trois zônes font l'objet d'un chapitre technique séparé. Cependant, petit à petit, l'uniformité est rétablie.

Excepté pour les procès correctionnels se rapportant à des cas d'évasion fiscale, on n'a pas recours aux tribunaux civils et correctionnels pour les affaires fiscales. Même lorsqu'un tribunal ordinaire connaît d'une infraction ou d'une évasion en matière d'impôts, il est incompétent pour déterminer s'il existe une dette fiscale et quel en est le montant. Normalement, en cette matière importante, une décision préalable aura été prise liant les parties. Néanmoins, le contribuable peut avoir recours aux tribunaux ordinaires pour faire valoir ses droits personnels, par exemple pour obtenir la révision d'ordonnances administratives à caractère pénal (peines de prison et amendes) et les bureaux des contributions ou des douanes peuvent avoir recours à ces mêmes tribunaux pour les procédures d'exécution (perquisitions, saisies, arrestations etc.).

Le gouvernement d'Allemagne occidentale a encore établi une procédure de révision administrative en matière fiscale, à laquelle le contribuable peut recourir avant de saisir de sa cause un tribunal de taxation. Une commission de taxation composée de citoyens et rattachée au bureau des contributions local, est chargé de cette révision. La dite commission est composée d'un président, d'un représentant élu pour chaque communauté locale du district fiscal, et de quatre à huit autres membres également élus. Après une décision défavorable prise par la commission de taxation, la procédure normale consiste à interjeter appel devant le tribunal de taxation spécial du district. Le contribuable peut encore interjeter appel d'un jugement rendu par ce tribunal de district devant la Cour suprême de taxation de Munich. La décision de cette cour est définitive.

On peut comparer, dans une certaine mesure, l'adjonction aux juges officiels des tribunaux de taxation inférieurs de membres non officiels, appelés «assesseurs honoraires», à l'emploi, à l'échelon local, de citoyens pour des procédures de révision administrative. Ces membres non juristes sont élus pour une période de cinq ans. Le système consistant à recourir à des assesseurs honoraires a été essayé pendant une durée plus longue que les commissions composées de citoyens, et il est adopté en vue d'améliorer la compétence pratique des tribunaux et d'augmenter la confiance du public en ces derniers.

Ni en Grande Bretagne, ni aux Etats Unis, il n'existe rien qui ressemble à ce système de tribunaux de taxation spéciaux. La Tax Court (Cour de Taxation) des Etats Unis parait démentir partiellement le caractère général de cette affirmation. Cependant cette cour ne constitue qu'une seule voie dans la procédure d'appel en matière de taxes fédérales, et même après la décision de la Tax Court, le contribuable a encore la faculté de recourir aux tribunaux fédéraux réguliers. De plus, il lui est loisible d'éviter dès le début cette cour spéciale et d'exercer son recours exclusivement devant les tribunaux réguliers. Au Royaume-Uni, les recours sont tout d'abord introduits devant des délégués de l'administration des impôts sur les revenus, constitués en tribunal spécial. Mais au-dessus de cet échelon, les décisions sont prises par les tribunaux ordinaires et les recours sont exercés devant ces mêmes tribunaux, où siègent parfois des juges appelés «revenue judges», qui sont spécialisés en matière d'impôts.

Les auteurs du présent article apprécient beaucoup le système allemand. Les litiges en matière de taxation sont assez nombreux et revêtent un caractère suffisamment technique pour justifier l'existence de tribunaux spéciaux. Ceux-ci déchargent les rôles des tribunaux réguliers au bénéfice des autres affaires et ils permettent que les affaires fiscales soient traitées avec une plus grande célérité. En outre, l'organisation du travail par chambres, d'après les catégories d'impôts les plus importantes, aboutit à une spécialisation plus poussée encore. Un autre avantage consiste dans le fait que la procédure de taxation est moins formaliste et moins coûteuse, et que non seulement les avocats ont accès à ces tribunaux, mais également les comptables et les conseillers fiscaux. Le fait de confier aux mêmes tribunaux les causes se rapportant aux droits de douane et aux contributions répond à la structure administrative qui charge les mêmes autorités du recouvrement des droits de douane et des contributions indirectes.

ECONOMIC RECOVERY AND PUBLIC FINANCE IN POST-WAR JAPAN

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I - *Introduction*

The acceptance of the Potsdam Declaration on August 15th, 1945, which subsequently resulted in Japan's unconditional surrender, marked the beginning of a new era for Japan, particularly in the field of national economy and public finance.

It was then evident that Japan was so exhausted and impoverished that, both economically and financially, she could no longer continue bearing the heavy burden of the war effort, even if no atomic bombs had been dropped on Japanese cities and the Soviet Union had not declared war on Japan.

To be specific, the output figures of the mining and manufacturing industries during the years 1935-1937 being taken as 100 %, the manufacturing industry registered only 7.5 % in index number and the mining industry 36.3%, both during the month of August, 1945. The mining and manufacturing industries combined therefore evidenced a sharp drop in the amount of output in the last month of the Pacific War, as witnessed by the average index number having dropped to 8.7 %. At the same time the average index numbers of consumption goods and production goods remained as low as 23.1 % and 12.9 %, respectively, duing the same period.

The output of marine products during the years 1933-1935 being taken as 100 % on the average, agricultural products registered 58.2 % in index number, sericulture 25.1 %, lumber 9.6 % and marine products 65.2 % during the last year of the Pacific War.

Aside from warships, arms and ammunition and airplanes, which were employed directly for war purposes, Japan's material wealth (including merchant ships), that is her national wealth (exclusive of forests, trees, roads, national treasury, and historical and scenic spots) was destroyed by air-raids and naval bombardments up to 19.2 %.

In addition to the losses suffered from the above-mentioned direct war damage, she sustained an additional loss of more than 6.2% of her national wealth through various indirect causes, such as deterioration or superannuation, due to negligence in providing for depreciation, renovation and replacement, forced scrapping of machinery and equipment, incident to placing all industries on a war basis and a wholesale removal of the plant of key industries to the rural districts.

This being the case, Japan's national wealth increased only by 1% as compared with that for the year 1935. This means that the increase in national wealth of 35.5%, obtained in the ten years preceding the year of surrender, was completely wiped out at the end of the war. The number of civilians which suffered from air-raids and naval bombardments exceeded 668,315, while that of army, navy and civilian personnel that sustained losses reached 1,864,710 of whom 83% were killed and the remaining 17% are still missing. In consequence, the living standard of Japanese nationals witnessed a sharp decline, as indicated by the fact that the actual spending power of the Japanese people in 1945 had fallen tot 59 % of that for the years 1936-1937, on the average. 1)

Stupendous was the amount of money mobilized for financing the Pacific War. During the special military budget period, covering eight years and eight months from July, 1937 to February, 1946, the aggregate military expenditures reached Yen 55.4 billion against the aggregate revenues of Yen 173.3 billion. All the military expenditures from the time of the outbreak of the China Incident to the end of the Pacific War had been financed under the special military budget. The total amount of war expenditures therefore was twice as much as that of ordinary national budgetary expenditures for the same period of 1937-1946. The general accounts, special accounts for military expenditures and other special accounts combined, increased as much as 11.5 times in amount in the case of revenues and 13.4 times in the case of expenditures over the period of ten years (1937-1946). The total governmental expenditures amounted to only 23.1 % of national income for the fiscal year 1937, which went up to 115.3% for the fiscal year 1944 (a year before V. P. Day), thereby exceeding the total amount of national income by 15.3 %.

Under the circumstances it was found imperative for Japan to resuscitate her economy and public finance on a much sounder basis, with a view to rebuilding the war-torn country after the end of the war. Her economic recovery was dependent largely upon government financial measures. The country found again its national economy intrinsically interlocked with government financing, which experience, however, was not very different from that of the war-time period. It is therefore evident that the economic recovery of post-war Japan cannot adequately be explained without

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1) Conditions at the time of surrender were so chaotic that it was found very difficult to obtain accurate figures. The above-quoted figures were based upon those available for the middle and the end of August, 1945 and also for the middle and the end of the same year.

taking into account the government financial policies, which were subsequently put into effect. At the same time, the true state of the Japanese government financing was such that it could not be adequately be explained without due consideration to many circumstantial factors, affecting the Japanese economy.

The present paper is an attempt to ascertain the relationship between the national economy and public finance in the process of post-war reconstruction and then to point out new tendencies observable in the Japanese economy.

Since the cessation of hostilities in 1945 Japan has gone trough five distinct periods of development, with particular reference to the recovery of the Japanese economy and the stabilization of her public finance:

First Period:	Period of Confusion and Frustration immediately after the war.
Second Period:	Period of "Recovery First" An attempt was made during this period to effect economic recovery through the inflationary measure of "cheap money". A spell of prostration has finally been overcome.
Third Period:	Period of "Stability First" This period commenced with the adoption of an overbalanced budget and the establishment of a single rate of exchange. An effort was directed to checking the inflationary tendency through the stabilization of the nation's economy.
Fourth Period:	Period of Transition to Economic Independence. With the signing of the Japan Peace Treaty, Japan made her début in the family of nations not only as a sovereign country but also as an independent economic entity.
Fifth Period:	The "New Era" Japan is now called upon to perform the task of consolidating her position as an independent economic entity after the signing of the much prolonged Korean truce agreement, always sensitive to ever-changing economic conditions throughout the world.

To point out the distinct features of all these five periods will therefore enable us not only to clarify the prevailing mode of Japan's postwar economy and public finance, but also to comprehend new trends in Japanese economic life.

II - *Period of confusion and frustration* (Aug., 1945-Dec., 1946)

After the cessation of hostilities and the subsequent surrender in August, 1945, Japan's economy fell prey to utter confusion and frustration. Under the war program, almost all of Japan's industrial facilities were switched over to war industries, only to be eventually destroyed by air-raids and other causes. Even after the war was over, her industrial activities, sunken in a state of stupor, took some time to show any sign of revival. Moreover, the initial "Occupation" policies, which took the form of "directives", brought about the dissolution of "Zaibatsu" (family financial cliques) and the purging on an extensive scale of the key industrialists and business leaders. All this resulted in a temporary paralyzation of Japans basic capitalistic system.

On the other hand, labor emerged as a powerful social and economic force under the protection of the liberal "Occupation" labor policy. The laboring class of people became so aggressive as to go the length of controlling management in many instances.

It will be easily understood why Japan had to go through this period of confusion and frustration, if one takes into account the present economic set-up of this country which was originally formed and crystallized at the time of the "Meiji Restoration" (restoration of the Imperal power in 1886) with no thought given to the importance of developing and fostering the so-called "bourgeoisie" or "proletarian" spirit.

The instability of living was all the more aggravated by a critical food shortage under the inflationary policy, initated by the Japanese government, not to speak of a rapid increase in population, resulting from the influx into the country of Japanese foreign residents repatriated from overseas.

Japans pre-war economy was largely dependent upon the the exploitation of her overseas possessions, 44% of which, however, have been lost as result of the war. Not only have her economic interests and markets in the Far Eastern countries been lost but she was also for the time being cut off from direct contacts with the outside world. Largely relying upon the U.S. financial aid, she was allowed to carry on a controlled overseas trade with no prospects for her immediate economic revival. It was, however, due to the helping hand extended by the Occupation forces, mostly the United States, that she could tide over the most difficult period.

Even in the midst of this confusion, however, an initial attempt was made with some measure of success to gradually revive her industrial activities, particularly in the field of consumption goods production, more or less on her own initiative. Prompted by the lifting of restrictions placed upon consumption goods during the war, industry was first stimulated and became brisk for the very reason that all kinds of war materials held in stock were released for the production of consumption goods.

While an acute shortage of foodstuffs was felt in consequence of which the masses of the people still had to lead a precarious living to the extent of their being compelled to live beyond their means, there came into existence, on the other hand, a new-rich class of black marketeers who deal in consumption goods illegally at exorbitant profits. Thus the prices of consumers' goods were raised artifically to beyond the limits of propriety.

In February, 1946, the emergency financial measures and other allied measures were formulated and enacted, all of which, however, produced but a temporary restraining effect. So long as consumption goods were allowed to be produced without restraint and black marketeers were left unchecked, we had no hope of routing raw materials trough proper production channels.

In view of no progress having been made in the recovery of the production goods industry, the government could no longer remain indifferent to this deplorable situation. The government therefore inaugurated the "priority" industrial production program 2) under which the Reconversion Finance Bank 3) was created.

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2) The "priority" industrial production program aimed at stimulating and encouraging the recovery of basic industries. The program was officially adopted in December, 1946. The basic idea underlying this program was to effect the recovery of the coal and iron and steel industries by means of

1. Importation of heavy oil
2. Increased production of iron and steel
3. Allocation of steel materials to coal mines on a "priority" basis
4. Increased production of coal, and
5. Increased allocation of coal to iron works.

3) The Reconversion Finance Bank was established under the law of Oct. 29, 1946; through its intermediary government loans of large amounts were extended on a long-term basis mostly to production goods manufacturers. Emphasis, however, was laid on the augmentation of coal, steel and iron production.

Thus the establishment of the Reconversion Finance Bank financially helped put teeth in the above "priority" production program.

In spite of the fact that this bank later deteriorated into a financial institution which accelerated Japan's inflationary trend through its loose lon policy, we must not underestimate the very important function it had once performed in speeding up Japan's industrial recovery during this critical period.

The bank went out of existence on January 16, 1952, and its business assets and liabilities were subsequently taken over by the newly created Japan Development Bank. Up to the time of its closing, the Reconversion Finance Bank had advanced the following huge sum of money:

Year	Amount of Loan (in thousand Yen)
1946	6,173,763
1947	97,040,895
1948	196,305,517
1949	3,450,345
1950	698,750
1951	296,946
Total	303,966,216

Note:

The figures given here are based on the monthly report of statistics, compiled by the Dept. of Accounts, Japan Development Bank. At the time of the termination of its business, the Reconversion Finance Bank was able to call in Yen 225.2 billion against its total loans of Yen 303.9 billion, Yen 78.7 billion being still outstanding.

III - *Period of "Recovery first"* (Jan. 1947 to Dec. 1948)

The basic industries of Japan had been so badly upset that no recovery could be expected unless transfused with the life blood of government subsidies. Herein lay the most important function the Reconversion Finance Bank had to perform. As explained in the preceding chapter, a huge amount of loans had been advanced by this bank.

In addition to this long-term bank loan program, the government adopted two major grant-in-aid measures in order to speed up industrial recovery, i.e. 1) the grant-in-aid extended by the government for the purpose of covering losses, incurred trough price disparities; 2) virtual grant-in-aid extended with the "counterpart" funds accumulated through the sale of U.S. relief goods. With a view to keeping under control the ever-increasing inflationary tendency by means of price controls and of facilitating production increase, the above grant-in-aid was appropriated out of government funds so as to compensate for any loss arising from the sale of producers' goods below government fixed official prices. At the same time, in an earnest attempt to encourage foreign trade, which was then under governmental control, the government undertook to sell at large imported goods at comparatively lower prices and to buy export goods at comparatively higher prices. Any loss incurred from the above buying and selling operation was covered by the counterpart fund built up through the sale of U.S. relief goods.

Armed with these two subsidy measures, the government endeavored, with a certain measure of success, to effect production recovery. It was of course foreseen at that time that the liberal loaning policy of the Reconversion Finance Bank and the granting of the above-mentioned government subsidies would bring about a certain inflationary tendency but it was more or less looked upon as a necessary evil. It was orginally conceived that any profits that might be derived from such inflationary trends could advantageously be "pump-primed" into production so as to speed up industrial recovery. It was therefore anticipated that through the acceleration of production recovery the balance between commodities and money would eventually be restored, thereby bringing about the much desired economic stability.

Comparison was often made with the condition of Germany at the time when Germany suffered from inflation immediately after World War I. Once production had been brought up to a certain level, it was then anticipated that the policy of economic stability could effectively be put in operation. The actual result was quite to the contrary. Commodity prices and wages went up in a vicious circle and spiral inflation was all the more worsened. It was quite evident therefore that the conditions of Japan were so different from those of Germany that no comparison was considered appropriate.

In the case of Japan, foreign trade was placed under government control, bearing all the apearance of "blocked trade". Japanese producers had to eke out profits from the sale of their products in terms of Japanese currency rather than to glean profits through the normal channels of foreign trading. In other words, particularly when the inflationary tendency was on the increase, these producers found it more profitable to hoard the materials on hand, illegally acquired, to be disposed of whenever black market prices went up high rather than to route the materials through the legitimate channels of production, so long as production goods were pegged at official prices. There were more profits, though unfair, made in the black market operation of raw materials, with the result that inflation served no other purpose than impeding production. There developed a situation where the very purpose, originally designed to stimulate production through the employment of profits created by inflation, was completely defeated.

Even though production might have been augmented by the aforementioned method, it would have been in many instances just fictitious profits that might have been yielded, and the production equipment being seriously antiquated with no remplacement and repairs, it would have been a kind of production recovery only sustained and benevolently protected by government subsidies. This being the case, it was found difficult to carry out a really effective economic recovery program in Japan, domestically and internationally speaking, unless backed up by government subsidies and American relief goods. Moreover there arose and were exposed to public attention some insidious political loan cases involving the Reconversion Finance Bank, and in connection with the distribution of government subsidy funds, the abusive practices emanating from bureaucratic control and management were brought to light.

In view of the foregoing, the method employed to put to practice the principle of "recovery first" had its inherent limitations. To abandon this method for any other formula was of no avail simply because producers could make easy profits, though temporary in nature, under this set-up which offered them temptations irresistible and alluring. It should clearly be borne in mind that the aggravating tendency of inflation had been all the more spurred on by the labor offensives which made wage increases inevitable. Powerful political leadership was much wanted at this stage.

On Feb. 28th, 1948, the American Government despatched to Gen. MacArthur's headquarters in Tokyo a new directive in the form of a special announcement according to which there were laid down "Nine Points" for economic stabilization, representing in fact the guiding principles to be followed here under the Occupation. Preliminary to production recovery, it was urged in this nine-point economic stabilization program that Japan should endeavor to equalize as far as possible domestic prices with international prices through the adoption of the fixed exchange rate of Yen 360 for the U.S. dollar, in place of the previously employed multiple exchange rates and that the Japanese government should set bounds to the previously too liberal government loans and subsidies. At the same time, it was suggested that without relying too much upon the U.S. relief goods, Japan should try hard to check inflation by adopting the method of ensuring economic stability.

IV - *Period of "Stability first"* (Jan. 1949—Sept. 1951)

On February 1st, 1949, Mr. Joseph Dodge, invested with the rank of a minister, came to Japan as special financial advisor to Gen. MacArthur and made a critical study of Japan's economic conditions. The following March he released his first public statement, in which he embodied a new financial policy, which has since been referred to as the "Dodge Line".

As the significance of "Dodge Line" can best be summarized in his improvised metaphor, "Two sticks of stilts on which Japan is riding should be discarded" so he proposed in his recommendations that the Japanese government subsidies and U.S. counterpart funds should be dispensed with. In so doing, an equillibrium between the domestic price level and the international price level should be established, on which basis alone Japan could be so disposed to formulate a really workable financial policy for economic stabilization. The above-mentioned "nine-point" economic stabilization program was purported to embrace the entire economic field, but the recommendations concerning financial retrenchment were most explicitly made. 4)

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4) The first and second points of the "Nine-point" program dealt with the problems of public finance as follows:

a. To achieve a true balance in the consolidated budget at the earliest possible date by stringent curtailing of expenditures and maximum expansion in total government revenues, including such new revenues as may be necessary and appropriate.

b. To accelerate and strengthen the program of tax collection and insure prompt, widespread and vigorous criminal prosecution of tax evaders.

In compliance with the "Dodge Line", the Japanese government commenced compiling a consolidated budget for the fiscal year beginning as from April 1st, 1949, and subsequently decided to draw up on overbalanced budget, including about 30 special budgets and government agency accounts, in addition to the ordinary budget. The Shoup Tax Mission was then despatched to Japan by the United States. In close harmony with the "Dodge Line", this tax mission made various recommendations concerning the basic revision of the Japanese tax system.

It was found imperative for Japan to undergo a drastic surgical operation for the restoration of her economic life. To achieve this end, the inflationary policy was superseded by the policy of heavy taxation. For the purpose of checking inflationary trends and rehabilitating the industrial life of Japan through heavy taxation, the actual economic conditions were then such that the masses of the people had to face the brunt of a heavy tax burden. The Shoup Tax Mission recommendations were most faithfully embodied in the consolidated national budget for the fiscal year 1944, which was formulated for the first time on the basis of the "Dodge Line".

The Report on Japanese Taxation, submitted by the Shoup Tax Mission, taken as a whole, presupposed that nearly 90% of direct taxes, including of course local direct taxes, should be levied on the income of the masses or the allied personal income. The report also commented on the Japanese system of taxation with particular reference to the income tax, which is one form of the direct taxes, as follows:

"The income tax is a mass tax, applying to practically every family in the country".

It was made clear in the same feport that the imposition of heavier taxes on the bracket of low income earners would be unavoidable, as quoted below:

"The fact is, we are here dealing with an economy in which the average level of real income is low, and where the individual incomes are probably fairly well concentrated about the average, instead of there being a poverty-stricken group at the bottom and a large number of well-to-do some distance above. Under these conditions, the rates must start at a substantial level and go up fairly sharply, if adequate revenue is to be gained".

Though some revisions had been effected, the masses of the people were called upon to bear a heavier tax burden for Japan's economic recovery. This underlying principle was reflected in the national budgets both for the fiscal years 1950 and 1951. In the meantime, government and private interests combined proceeded to develop various enterprises and effect accumulation of capital funds so as to attain the goal of economic stability. Above all, special emphasis was laid on the rehabilitation and development of the key private industries and public enterprises. Thus the basis o fthe Japanese economic recovery was firmly consolidated.

The policy of "stability first", when actually put to practice, could not escape being beset by some difficulties. As evidenced in the national budget for the fiscal year 1949, the retrenchment policy, aimed at creating Yen 253.8 billion, was not at all insusceptible to deflationary trends. Moreover, the incomes of the masses were absorbed in part by the national government for the purpose of building up its financial funds, which were in turn utilized mostly by big industries for their own rehabilitation. The temporary advances of large amounts made by the Bank of Japan, though for a short period, pending the release of government funds, were likewise absorbed mostly by big industries. It was natural that the purchasing power of the masses, whose incomes had been in part diverted to the replenishment of government funds, registered a decline. In consequense, the domestic market likewise suffered a recession.Apprehending a future outlook of an uncertain character, the local banks came to confine their loans to big industries. All this was instrumental in bringing about the so-called "tight" money situation for the small- and medium-size enterprises.

Furthermore, exports remained inactive. Export goods were overstocked in increasing quantities. The bank loans which had been made to finance these overstocks were frozen. The question of "overloan" forged ahead for serious discussion. Commencing with April, 1950, the Bank of Japan began to tighten financing of overstocks and assumed a reluctant attitude in cooperating with the government with regard to making temporary "stop-gap" loans for the government funds. Thus the "tight" money situation became wide-spread and pervasive.

The depression became gradually more pronounced in intensity, owing the decreased purchasing power of the masses and sluggish foreign trade operations. It was made evident that the policy of "stability first", formulated on the basis of the "Dodge Line" had to be revised in order to cope with the aggravating economic condition.

Just et this crucial moment of economic anxiety, the Korean war broke out. Inspired by the outbreak of the war in Korea in June, 1950, armament expansion was launched upon on a world-wide scale, the United States leading the way. As a result, the so-called

U.S. special procurements [5]) and world wide armament expansion helped revitalize the Japanese industrial activities through the expansion of foreign trade and clearance of over-stocked goods.

Thanks to the so-called "Korean war boom", Japan had enjoyed a general prosperity until about February, 1951 when the sign of business inactivity, reactionary to the Korean war boom, began to show itself. The difficulty in coping with the "Dodge Line" dominated policy of "stability first" was temporarily overcome and production on the whole was much augmented, but once the world-wide prosperity became slackened from about March, 1951, the domestic price level, which had rocketed as a result of the Korean War, abruptly stopped climbing. The Japanese economy was, as if for the first time, found to be so fragile and shallow that it had to flounder to and fro at the mercy of the changing tide of the Korean war.

After all, the Japanese economy can only subsist on the so-called "processing" foreign trade, by which it is meant that Japan imports foodstuffs and raw materials and then exports them in turn after having them processed here.

Under the circumstances, the Japanese economy behaved in a strange manner, exposing its innate frailty and shallowness. Brisk export activities effected a scarcity of domestic goods for home consumption and insufficient accumulation of capital equipment at home. The US Special Procurements and world-wide armament expansion stimulated speculative financing here, which eventually helped accelerate inflationary trends. In preparation for the eventual termination of US relief goods incident to the Japan Peace Treaty, Japan has been called upon to make the necessary economic adjustments for her self-sustaining economy.

V - *Period of transition to economic independence*
(Oct. 1951-May 1953)

While pursuing the policy of "stability first" even after the signing of the Japan Peace Treaty on Sept. 8, 1951, Japan took up the task of preparing to make her economy self-supporting. The policies of "stability first" and of transition to economic independence were found to overlap at the beginning, but the force of changing circumstances compelled her to take up the task of regaining economic independence, less emphasis having gradually been placed on the policy of "stability first".

With the conclusion of the Japan Peace Treaty and the US-Japan

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[5]) Under the special procurement arrangement, the United States purchased from Japan the required war materials and services, all payments being made in U.S. dollars.

Administrative Agreement in September, 1951, Japan was officially readmitted into the international economic society. Contingent thereupon, she has come to assume international responsibilities and obligations in the way of settling the problems of reparations, prewar Japanese investments abroad and foreign debts, besides the gradual strengthening of defence forces and economic co-operation with the free countries throughout the world. Further responsibilities have been devolved upon Japan to take steps in making Japan economically selfsupporting.

This determination was for the first time reflected in the revised budget, incorporated into the general budget for the fiscal year 1951, the most conspicuous evidence of which was the expansion of the scale of government finances. However hard it has been tried to curtail government spending, the size of government finances has had to be enlarged.

Commencing with the fiscal year 1949 when the general budget called for an outlay of Yen 741 billion, the retrenchment policy gradually bore fruit, so much so that the general budget for the fiscal year 1950 was cut down to Yen 664.4 billion and the preliminary general budget for the fiscal year 1951 to Yen 657.4 billion. However, including the supplementary budget of Yen 136.3 billion which was necessitated by the signing of the Japan Peace Treaty, the total general budget for the fiscal year 1951 all at once shot up to Yen 793.7 billion. For the fiscal year 1952 the preliminary budget already jumped up to a staggering sum of Yen 852.7 billion. It is true, however, that the total national income registered an appreciable increase in the meantime and that the above budgetary figures did not necessarily indicate that the tax burden of the masses was increased as a consequence. 6)

Contrary to our general expectations, however, we were surprised to discover that the preliminary budget for the fiscal year 1952 appropriated Yen 203.3 billion for the expenditures to be borne in

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6) The following are the figures making comparison of the budgetary estimates with the national income for the years 1948-1952, based on the 1953 budget estimates, prepared by the Japanese government.

Year	General Budgetary Estimates (A) (in billion Yen)	National Income (B) (in billion Yen)	Percentage (A/B)
1948	473.0	2,123.6	0.223
1949	741.0	2,884.4	0.257
1950	664.5	3,683.9	0.180
1951	773.7	4,849.4	0.164
1952	932.5	5,385.0	0.173

It is, therefore, clearly indicated that the restoration of national independence was accompanied by a greater responsibility being placed upon the Japanese people.

connection with the restoration of peace, or about 30 % of the budgetary estimates for that year. [7]

During the fiscal year 1952 the preliminary budgetary estimate of Yen 852.7 billion was increased by Yen 79.8 billion as an additional supplementary budget. The total budget for the fiscal year 1952 therefore amounted to Yen 932.5 billion, the largest governmental appropriation since the end of the war. The explanatory note to the proposed revised budget for the fiscal year 1952, filed with the Diet contained the following statements:

"Thanks to the united effort of the Japanese people, our national economy has reached an appreciable degree of recovery and stability in the past seven years. We now have an opportunity more and more to solidify and strengthen our national economic foundation in order to further promote our economic interests worthy of our newly regained political independence, always keeping abreast of the economic progress of the world.

"The basis of our future financial and monetary policies should be to insure the flexible working of various economic programs in the light of the existing financial and monetary conditions, adhering at the same time to the previously established policies of sound finance and stable currency. In so doing, we can only hope to advance our national interests."

What we have to bear in mind in this connection is that the expansion of national governmental spending tended to make a greater claim on the income of the masses and that the masses have come to bear a drastically heavier tax burden, contingent to the restoration of independence. This increased tax burden formed a greater threat to the Japanese economy, which had not yet regained the strength

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[7] The general budget for the fiscal year 1952 provided for the outlays arising from the restoration of peace, as shown below:

1. National Public Safety	Yen	65,000,000,000
2. Special Police Forces	,,	54,000,000,000
3. Coastal Defence	,,	7,383,726,000
4. Security Expenses	,,	56,000,000,000
5. Compensations for allied properties	,,	10,000,000,000
6. Expenses incurred in connection with the restoration of peace	,,	11,000,000,000
Total	Yen	203,383,726,000

In the 1952 budget the expenditures for national defence and peace preservation were given much heavier weight than for other items. The expenditures, arising from the restoration of peace showed an increase of Yen 45.6 billion over those appropriated for the preceding year as the expenses for termination of war which have been included in the national budget since the end of the war.

to stand on its feet. Only through the indomitable patience, hard work and co-operative spirit that the masses of the Japanese people were called upon to display, could the Japanese economy sustain this staggering tax burden.

Surveying the progress of economic recovery up to this period, the Japanese economy for the preceding six years was found to have failed to maken a commendable come-back, falling far short of the economic standards of the pre-war period (1934-1936) and the figures reaching or exceeding those of the above pre-war period were confined to an increase in population, manufacturing industries and investments.

Let us examine now the economic levels of various industries in the year 1951 on the basis of "The Annual Economic Report", published by the Economic Stabilization Board in 1952. (The 1953 report was not released for publication at the time of writing.)

The agricultural industry recovered fairly fast, approaching the pre-war level. The textile industry which had previously played an important role in our export trade, could only maintain as low a level as 50 % or 60 % of the pre-war standard as regards the amount of imports and production. Even production reduction was then seriously brought up for discussion. The volume of foreign trade operations likewise was so low as to reach only 36 % in the case of exports, inclusive of the US special procurements and 49 % in the case of imports, both of the prewar period (1934-1936) respectively. Only the iron-works industry represented 130 % of the prewar figure. If one takes into consideration the fact that the population of Japan had increased by 22 %, the per-capita production volume could be said to be slightly better than that for the pre-war period. This production increase was of course due primarily to the unprecedented expansion of the heavy-chemical industrial group, comprising metal, machinery and chemical products, which had been vigorously boosted during and after the war.

During the pre-war period the number of people employed in the above three industries, namely metal, machinery and chemical, comprised only 38 % of the total number of people employed in the entire manufacturing industry, but in 1951 these three industries alone came to hire 45 % of all the industrial workers of Japan. This particular industrial group therefore gained an increasingly greater prominence. Japan's foreign trade would gradually have to rely more than ever upon this industrial group which is now destined to hold a great hope for her future economic life. This heavy-chemical industrial group alone succeeded in effecting so much expansion, although the statistical figures do not necessarily present a true picture of the actual condition. It must be clearly understood that a sizable production increase in this industrial group was made possible only by means of over-taxing capital equipment and using up beyond repair anything that could possibly be utilized, with no though of replacement. Under the circumstances there arose many vulnerable factors, beyond retrieve, hindering their production expansion.

The pre-war raw-material-supplying area and profitable export markets, such as the China Mainland, have been lost. After the end of the war Japan has been compelled to buy raw materials from distant countries, like the United States, which fact made it impossible for Japanese products to compete successfully in the world market, owing especially to the high cost of production.

During the war period the country was held virtually in a vacuum from the standpoint of industrial progress. Industrial equipment and engineering skill fell far short of the international standards. As a result, the productive capacity of the laboring class of people has suffered a considerable decline. Moreover, the loss of capital investments and the peculiar position in which the Japanese economy was placed after the war were instrumental in making the rate of interest higher and the money market tighter. All these factors combined had an unfavourable effect on this industrial group, impeding the build-up of large-scale production facilities for profitable operation.

No adequate provision has been made for depreciations after the war. Reserves for depreciations, whenever supposedly built up, though on the books alone, during the war, have been almost completely wiped out through inflation. Inasmuch as an increasingly large proportion of capital had to be drawn from outside sources and as borrowing had to be made only on a short-term basis, the Japanese industry had been compelled to fall back upon government loans to an increasing extent. By reason of the inability of the Japanese industry to obtain its own capital funds in sufficient quantity, the industry on the whole tended to become less profitable and reserves were made only sparingly.

After the war it is significant to note that a fairly large proportion of the national income has been set aside for the purpose of accumulating capital funds. For instance, compared with the year 1950, the amount of national income spent for consumption goods for the year 1951 declined by from 64 % to 59 %, whereas the amount of national income diverted to capital investments increased by from 15 % to 22 %. In spite of the fact that a larger percentage of the increased national income was set aside for capital investments, we still found that the industry on the whole had to suffer from lack of capital funds.

From the standpoint of our national assets, we can also see very clearly the heavy burden that the Japanese people was called upon the sustain. The level of our national spending power was restored in 1951 only up to 86% of our natoinal spending power during the prewar period (1934-1936), but the actual spending power of the Japanese people will be found to have been much lower than that when we realize that only the recurring household expenses were taken into calculation in this instance, exclusive of other factors.

To be more specific, owing to the damage incurred incident to the Pacific War and the piculiar mode of living that ensued after the war, called "bamboo shoot life" (i.e. One ekes out one's day-to-day living by selling personal effects ,such as clothing, one by one in the same way as the leaves of bamboo shoot are being peeled off), the loss and deterioration of houses and household possessions became so extensive and menacing that the actual living standard of the masses had been reduced much lower. The Japanese national income therefore could not have been evaluated with any degree of accuracy from a statistical standpoint for the very reason that such incalculable factors as the devastation of the land, depletion of national wealth and squandering of national wealth with no provision for replenishment could in no way be translated into any statistical figures.

In any event, the masses of the Japanese people, though still suffering from an acute case of privation and deprivation, were willing to invest a large portion of their incomes into capital goods, upon which our national recovery effort was solely dependent. A huge amount of investments and loans were also made by the various government agencies, but it must be borne in mind that this government-sponsored financing could not have been effected without falling back upon the general tax payers who eventually were compelled to shoulder the cost.

The Liberal Party in power points out with pride that for the recent four years the amount of government funds invested in and advanced to various industrial enterprises was almost tripled. citing the following figures as the commendable accomplishments of the Third Yoshida Government:

Item	1949	1950	1951	1952
Public Works	60.7	112.1	111.7	143.8
Investments in government enterprises	38.8	51.4	73.3	80.8
Advances to private enterprises	58.1	120.1	217.6	241.4
Total	157.6	283.6	402.6	466.0

(All in billion yen)

With reference to the above figures, the following explanation was further added:

"In view of the scarcity of liquid capital funds after the war, it was found necessary to strengthen and expand the key industrial undertakings of prime importance, which would constitute the basis of our national economy, in this country by investments in and advances to them out of government funds. The Third Yoshida Government therefore took steps to increase every year the amount of government funds to be invested in the public corporations and also to be advanced to the important private industries, engaged in forestry, agriculture, electric power, shipbuilding, iron and steel, foreign trade and small-and medium-size enterprises, all of which were then contributing to the reconstruction of Japan's national economy."

It must be not overlooked, however, that all these government investments and loans were made possible largely through the cooperation of the masses who were obliged to shoulder the burden in the form of taxes. Let us examine here the general budget formulated for the fiscal year 1952 to prove this point. The estimate of revenues in the general budget for the fiscal year 1952 may be summarized as follows:

Item	Amount (in thousand yen)
Taxes and Stamp revenues	685,326,000
Revenues from monopoly enterprises	131,318,709
Profits and revenues from government undertakings .	13,462,073
Revenues arising from sale of government propery . .	21,600,779
Miscellaneous incomes	53,954,453
Balance carried over from previous year	26,873,814
Total	932,535,828

It is evident from the above figures that taxes and stamp revenues constituted 73.7 % of the total government revenues and revenues from monopoly enterprises 14.1 %, both of which combined constituted the great bulk of government revenues. Out of taxes and stamp revenues, the government derived from stamp revenues only Yen 14,037 million, which fact goes to show that tax revenues alone comprised 72 % of total government revenues. This being the case, it can be safely said that both tax revenues and revenues from monopoly enterprises combined sonstituted nearly all the government revenues for the fiscal year 1952. Let us further look into the composition of these two chief sources of government revenues. Take tax revenues first, which may be itemized as follows:

TAX REVENUES

Item	Amount (in million yen)
Personal Income Tax	260,094
Liquor Tax	137,929
Corporation Income Taxes	187,991
Death and Gift Duties	2,028
Net Worth Tax	1,119
Re-appraisal Tax	10,573
Sugar Consumption Tax	19,144
Gasoline Tax	13,592
Commodity Taxes	19,764
Transportation Tax	1,667
Customs Duties	17,079
Tonnage Dues	144
Security Transfer Tax	165
Total	671,289

As is clearly evident in the above itemization, a very large proportion of tax revenues came from income, liquor and corporation taxes, all of which combined yielded a government revenue of Yen 586,822 million. Speaking of our income tax system, the Japan Tax Report, prepared by the Shoup Tax Mission, states: "The income tax is a mass tax, applying to practically every family in the country." The burden of income tax is therefore such as to fall upon the shoulders of the masses. The corporation tax is somewhat different in nature, but here again we observe that the amount of income coming from this source was increased after the war, thanks to the austerity, hard work and co-operative effort of the masses who made it possible to effect accumulation of capital funds. In a word, it is quite manifest that the above tax revenues represented largely the contribution of the masses.

With regard to revenues from monopoly public corporations, we find that out of Yen 131,318 million, the Japan Monopoly Public Corporation alone contributed Yen 130,500 million, which amount was in fact obtained through the sale of tobacco. This also represents a mass contribution.

In addition to the general budget, there were for the fiscal year 1952 thirty-four special budgets and nine estimates for government-controlled organizations, but an analysis of the general budget alone will enable us to grasp the predominant tendency of the masses shouldering a large portion of national finance. While it is considered the most essential condition for the restoration, the Japanese economy to promote various key industries at home and to accumulate as much as possible capital funds, it is self-evident that, on the other hand, the masses of the Japanese people have in the past contributed in e large measure to the extent of sacrificing a portion of their incomes for the above purposes.

In comparing the rate of taxation with our national income, we find that during the years 1934-1936 the rate for national and local taxes was about 12.8 % (the rate of national tax being 8 5 %). The statistical table reproduced below shows the rates of taxation during the years 1948—1952.

Year	National Income mill. yen	Amount of Tax mill. yen			Rate of Taxation %	
		National	Local	Total	National	Total
1948	2,123,600	445,956	77,709	523,665	21.0	24.7
1949	2,884,400	636,068	142,441	778,509	22.1	27.0
1950	3,683,900	570,214	188,281	758,495	15.5	20.6
1951	4,849,400	722,870	271,885	994,755	14.9	20.5
1952	5,385,000	815,826	293,460	1,109,286	15.2	20.6

(Taken from "Explanatory Note of Taxes and Stamp Revenues for the Fiscal Year 1951", prepared by the Japanese Government.)

We find that the average rate of taxation in proportion to our national income for the years 1942-1952 was nearly twice that for the pre-war years 1934-1936. As explained on the preceding pages, the living standard of the Japanese people was in no way higher Contrasting the per-capita income of the Japanese people with that of the United States, England and West Germany, we find that this high rate of taxation is a considerable burden on the part of the masses of the people in Japan.

During the year 1952 the Jananese economy came to regain its normal appearance after the boom following the outbreak of the Korean War. The iron and steel industry, which was previously referred to as Japan's hope for the reconstruction of the country's economy, registered in Dec., 1952 a production increase of 43.4 % over that of the pre-war period (1934-1936). This was the highest record so far achieved in the post-war years, but this rising trend soon became sluggish. Entering March, 1953, however, its production index jumped to 149.6 %, that of the 1934-1936 period being taken as 100, thereby surpassing the highest mark reached after the war. This might rightly be regarded as one indication of the strong production effort made in anticipation of the pending trade revival stimulated by the formulation of the 1953 national budget, which, however, has not yet been sanctioned by the Diet, by the British Government reply concerning the relaxation of import restrictions by the British Commonwealth of Nations, and lastly by sharply increased demands for the US Special Procurements. At all events, the 1953 national budget was prepared under the aforementioned economic climate.

The "Explanatory Note on the Proposed 1953 National Budget , released by the Japanese Government, lays down the basic economic policies for the management of Japan's national economy, stating as follows:

"The basic policies for the management of the Japanese economy for the fiscal year 1953 should aim at enriching and consolidating Japan's economic foundation in response to the changing world economic situation, thereby promoting the sound and healthy development of her economy.

"It is predicted that the abnormal business prosperity, brought about, by the outbreak of the Korean War, will soon subside and that the entire world finds itself today in the process of adjusting itself to a new economic life. Influenced by this trend, the recession of the business boom appears to be already quite evident in our economic activities. Particularly the small -and medium-size industries here are now being adversely affected to such an extent that some remedial measures should be taken to counteract this unfavourable trend.

"Our international balance of trade, however, is at present just maintaining trade equilibrium through the acquisition of foreign exchange from the US Special Procurements and other kindred sources, which are entirely of a temporary nature, to say the least, In the future, no effort should be spared toward developing a more normal export trade, but it is apprehended that we may have to contend with increasing difficulties in cultivating our foreign trade in the world market.

"In principle our country should endeavor to cultivate our foreign markets, keeping abreast of the world economic condition and no easy way-out is to be expected. We should be fully determined to take steps to rationalize our economic activities so as to increase efficiency and to maintain equilibrium between the domestic price and the world price.

"On the other hand, we observe that our industry on the whole has so far made quite a recovery during the past eight years, due primarily to the sacrificial effort of the general public, but our economy of today is not yer well based. In order to be able to compete successfully in the world market, we are urged to put ourselves heart and soul to the task of further strengthening and consolidating our economic foundation.

"Judging by the recent fiscal and financial condition, we see no reason why we should blindly follow the previously formulated program unamended with a view to bringing about equilibrium between national income and expenditures on a more comprehensive scale. We should likewise endeavor to facilitate a more flexible operation of fiscal and financial matters so that government investments and loans may be made in accordance with the pre-meditated fiscal policy for the consolidation of our basic industrial undertakings."

The 1952 budget was prepared and passed during the Occupation period, but the 1953 budget was the first budget formulated after Japan regained independence. Particulars concerning the 1953 budget will be discussed later in more detail, but at the outset it may suffice to make a general critical survey.

The most significant feature of the proposed 1953 budget, prepared by the Government, lies in releasing on a large scale the government funds already accumulated in the past in contradistinction to the previous budgets, formulated along the "Dodge Line".

According to the Japanese Ministry of Finance, it is anticipated that the excess outlay over revenues to be released to private industries and others would reach Yen 141.5 billion, comprising the following:

1. Surplus funds in the general account carried over from the preceding fiscal year		Yen 45. billion
2. A. - proceeds from the sale of government bonds held by the Fund Operating Dept., Ministry of Finance . . .	Yen 18.1 billion	
B. - Funds appropriated from surplus funds held in the same department	Yen 12.8 billion	,, 30.9 ,,
3. A. - proceeds from the sale of government bonds issued against the Counterpart Fund held in the Special Industrial Investment Account	Yen 19.7 billion	
B. - Funds appropriated from surplus funds held by the Counterpart Fund Special account	Yen 8.7 billion	,, 28.4 ,,
4. Funds arising from the international balance of trade held by the Foreign Exchange Fund Special Accounts, earmarked for eventual release		,, 16.2 ,,
(The Ministry of Finance's estimate of the excess receipts of foreign exchange funds on hand will be about US $ 45 million)		
5. Additional issue of food bonds by the Food Control Board Special Accounts		,, 11. ,,
	Total . . .	Yen 141.5 billion

Exclusive of the Foreign Exchange Fund Special Account and Food Control Board Special Account funds, aggregate surplus funds, amounting to Yen 104.9 billion, are the fiscal surplus or reserve funds to lead to excess payments over the revenues from the standpoint of budgetary structure, which have been accumulated from the preceding overbalanced budgets and which are to be released anew for industrial recovery.

The release of these funds, however, need not necessarily be expected to achieve the desired result, unless a basic policy be established for ensuring production-goods-producing industries. But no radical steps have so far been taken to prepare for release of these funds and at the same time no sufficient preparations have been made for calling in of the loans advanced out of the surplus funds.

The next significant feature is that commencing with the fiscal year 1953, the following government bonds are scheduled to be floated with the sanction of the Diet, although this bond policy has so far been withheld since the acceptance of the "Dodge Line" financial policy:

1.	Special Tax Bonds	Yen 30 billion
2.	Railway, Electric Communications and Telephone Bonds	Yen 22 billion

Together with the release of the fiscally accumulated funds. floating of government bonds marks a volte-face in government financial policy of a positive nature. Before carrying into effect this volte-face in fiscal policy, it was desired, if at all possible, to devise some means of tapping the past accumulation of foreign exchange funds on hand. It was also considered desirable to have governmental wastage completely eliminated, previous to making preparations for the expansion of production-goods-producing industries on a firmly established basis.

The reduction of government personnel, which was heretofore considered most urgent, has so far been left untouched, but the restoration of a pension system for the former military personnel and other measures which call for non-productive or purely consumptive expenditures have been seriously taken up for adoption. Although the amount of government bonds to be issued may not be more than Yen 52 billion in all, there are possibilities that an inflationary tendency is to set in, so long as the bonds in question are not to be absorbed completely by private investors, especially after the surplus funds of more than Yen 130 billion have been released.

Once this drastic fiscal change is effected, it may be that the same radical change is repeated in the following years. Especially when we find that the sum of Yen 21 billion was called in the national treasury in excess during the fiscal year 1951, the surplus release of Yen 58 billion was made in the fiscal year 1952 so soon after Japan was freed of the rigid "Occupation" control. To have made such a volte-face in her financial policy for the fiscal year 1953 seems to give an impression that no unified and systematic policy has been pursued in the formulation of fiscal programs in the past.

Since independence was regained, Japan has been trusted upon resuming her own political responsibility in her own way. The Liberal Power then headed the Government, but some serious internal dissension led to a split in the party. The vote of non-confidence, passed by the Lower House, finally resulted in the dissolution of the Diet. In consequence, the proposed budget bill was shelved, without deliberation, for the time being.

The Yoshida Government, which had enjoyed an absolute majority in the Diet under the leadership and sponsorship of the Occupation Forces, now was compelled to face the electorate for a new leaf of life, although the first budget since independence was restored was still pending. The people became fully conscious of an urge for building up a truly self-respecting and independent political society, now Japan is no longer under the Occupation. Indications were then that some political change of a far-reaching nature would be forthcoming.

Just at this time President Eisenhower was inaugurated on Jan. 20th, 1953 and the sudden death of Stalin led into the limelight Malenkov who became premier of the Soviet Union in succession to Stalin on March 5th, 1953. These two major world events brought about a new turn for world affairs in general. Particularly the Korean truce talks, which would have a bearing on the future course of the Japanese economy, appeared to have every possibility of consummation. In the midst of all these fast-changing world events, Japan has come to be called upon to make a firm determination to seek her own economic salvation independently and on an equal footing with the rest of the world.

In the April (1953) general election, the Liberal Party failed to return sufficient members to the Diet to ensure clear majority. The newly constituted Lower House is now represented, in order of numerical strenght by the Liberal Party, the Progressive Party, the Left-wing socialist Party, the Right-wing Socialist Party, the "Hatoyama Faction" Liberal Party (some thirty members of the Liberal Party formed their own faction under the leadership of Ichiro Hatoyama in revolt aganist Yoshida's leadership), the Farm-Labor Party, and the Communist Party.

There are too many political parties represented in the new Diet, no single party enjoying a clear majority, but by virtue of the fact that the Liberal Party managed to have the largest number of seats in the Lower House, Yoshida was entrusted with forming a new government for the fifth time (unprecedented in the parliamentary history of Japan).

Although the Fifth Yoshida Government came into being, political outlook is nothing but very unsettled and precarious, as it is obvious that the party in power no longer commands a clear majority in the Lower House, the parties in opposition being numerically weak and hopelessly divided. Inasmuch as the Korean truce agreement was in fact concluded on June 8th, Japan is now challenged to make a definite bid for economic self-determination.

VI - *Korean truce and establishment of economic independence* (June, 1953 - the present)

As explained above, the Japanese Diet was dissolved before the 1953 budget bill was dealt with by the Lower House for adoption. It so happened that the general elections and the formation of a new government took place during the months of April and May when a new fiscal year was scheduled to commence. (The Japanese fiscal year starts on April 1st, ending on March 31st of the following year). It was then made necessary to resort to provisional budget arrangements for the first three months (April, May and June) of the 1953 fiscal year. At long last, the new government decided on the provisional budget bill for the month of July and also the 1953 general budget bill, which were introduced to the Diet on June 13th for deliberation.

The following are the particulars of the 1953 budget bill, newly prepared and released by the Japanese Government as compared with those of the previously formulated 1953 budget bill which was automatically declared null and void incident to the Diet dissolution:

Item	Old Budget (Discarded)	New Budget (Newly proposed)	Comparison (Decrease marked "*")
Income:			
Taxes and Stamp Revenues . . .	708,049	716,097	8,048
Revenues from Monopoly Enterprises	143,901	143,747	154(*)
Profits and Revenues from Government Undertakings . .	14,120	13,823	297(*)
Revenuees arising from sale of Government Property	12,984	11,372	1,612(*)
Miscellaneous Revenues	35,932	37,671	1,739
Balance carried over from previous Year	45,572	45,572	——
Total . . .	960,561	968,284	7,723
Expenditures:			
National Defense	62,000	62,000	——
Public Safety Board	83,000	71,884	11,116(*)
Expenses arising from Restoration of Peace	10,000	10,000	——
To be carried forward . .	155,000	143,884	11,116

Item	Old Budget (Discarded)	New Budget (Newly proposed)	Comparison (Decrease marked "*")
Brought forward . . .	155,000	143,884	11.116(*)
Compensation for Allied Properties	10,000	400	9,599(*)
Public Works	102,058	102,002	55(*)
Food Production Encouragement Measures	49,226	49,389	163
Educational Facilities	6,563	6,561	2(*)
Housing Measures	12,532	12,532	——
Public Building maintenance . .	3,842	3,886	43
Investments and Loans	23,500	39,593	16,093
Social Security Measures . . .	24,418	25,572	1,154
Protective Measures for Minors .	5,319	5,228	90(*)
Social Insurance	8,606	8,511	94(*)
Tuberculosis Prevention Measures	12,612	12,536	76(*)
Unemployment Relief	16,861	19,169	2,308
Aid for War Victims	2,842	2,842	——
Aid for the Families of the Unrepatriated	2,157	2,157	——
Pension for the Former Military Personnel	45,000	45,000	——
Maintenance of National Schools	26,784	26,604	179(*)
Scholarship Fund	3,509	3,439	69(*)
National Subsidy to Compulsory Education	92,000	54,000	38,000(*)
Subsidy to Local Governments .	80,000	125,000	45,000
Farm Insurance	10,858	10,885	27
National and Local Police . . .	22,080	21,504	575(*)
Coastal Public Safety	6,611	6,267	343(*)
Prison Accomodation and prison work-shops	4,878	4,877	1(*)
Diet Elections Expenses	1,670	2,880	1,209
Tax Collection	15,685	15,264	421(*)
Tax Refunds	3,000	6,000	3,000
National Bond Expenses	45,015	45,396	381
Maintenance of Consular and Diplomatic Services Abroad .	3,711	3,440	270(*)
Compensation for Losses from Postal Savings Special Account	3,151	3,151	——
Subsidy for Adjustment in Prices of Imported Foodstuffs . . .	32,000	30,000	2,000(*)
Refunds to Japan Telegraph and Telephone Public Corp. . . .	2,000	3,200	1,200
Pension for Government Employees, etc.	10,440	11,513	1,073
Reserves	3,000	3,000	——
Reserves for Natural Catastrophes	10,000	10,000	——
Miscellaneous Expenditures . . .	103,622	102,589	1,032(*)
Total . . .	960,561	968,284	7,723

(Subject to minor changes in figures when adjustments are to be made.)

The 1953 new general budget bill proposed aggregates Yen 968.284 billion for both income and expenditures or Yen 7.7 billion more than that of the abortive 1953 general budget bill. This is the biggest budget bill ever presented to the Diet since the end of the war.

This newly proposed budget bill reveals that on the income side some reductions have been effected on the security transfer and property re-appraisal taxes for the purpose of facilitating capital accumulation, while the amount of personal income taxes to be collected at source, which is expected to increase by reason of an automatic rise in the income of wage earners, was estimated Yen 16.8 billion more than in the abortive 1953 budget bill. This means that the Government has discarded the original plan of reducing the tax burden of the lower bracket of income earners which class, however, represents the masses of the Japanese people.

On the expenditure side, the new budget shows an increase of Yen 4.1 billion, as compared with the abortive 1953 budget. The amount of government funds to be released for the rehabilitation of our national economy was reduced by about Yen 30 billion to about Yen 120 billion, owing to a decrease in the amount of payments for Foreign Exchange Fund Special Account and also to the reduction of the amount of tax reduction bonds to be issued. The government subsidy for compulsory education was also drastically cut.

Taking all in all, the newly proposed budget bill still appears to be lacking in careful planning, although it may be reflecting in its contents some phases of the so-called "Positive Policy". The new budget bill does not take into account any new development that might arise from the conclusion of the Korean Truce Agreement, which is likely to be followed eventually by the slackening of armament expansion and also from a possible application of the U.S. Mutual Security Agency Aid (Hereunder it will be referred as MSA) to Japan. It is quite evident, however, that the new budget bill was formulated on the presumption that Japan's international balance of trade will remain unaltered and that the status quo will continue to prevail. No serious thought seems to have been given to the development of South-East Asia, which has been discussed in the recent past, the promotion of trade with Red China and the establishment of basic policies for Japan's economic self-sufficiency in the light of the ever-changing world situation.

The 1952 new budget bill does not seem to envisage any positive fiscal policy at this most critical moment of our world history, although the time is quite ripe for Japan to re-orient her fiscal policy to be able to achieve her economic self-sufficiency as quickly as possible.

Seeing that the Fifth Yoshida Government cannot remain in power without the support of the Progressive Party, the largest party in opposition, the new budget bill was so revised as to be able to invite the Progressive Party's cooperation. This compromising spirit was clearly reflected in the large-scale reduction of the government subsidy for compulsory education, the increase of government investments, the shrinkage in part of administrative expenses, the reduction of security transfer tax and other minor changes.

The Progressive Party has recently made it clear that it firmly stands for the following basic policies:

"With a view to making the Japanese economy self-sufficient so as to enable her to compete successfully in the world market, the Japanese industry must be solidly laid on a firm foundation by means of curtailing as much as possible expenditures for consumptive purposes and of increasing expenditures for production.

"In order to narrow the gap created between the rich and the poor, some effective social security measures must be instituted.

"A long-term defense program must be framed in the light of the existing national economic strength".

So long as the foregoing represents the official political platform of the Progressive Party, formulated and approved by its Policy Committee, it is quite apparent that the Yoshida Government will find it difficult to work in harmony with the Progressive Party. The "Hatoyama Faction" Liberal Party, the Right- and Left-Wing Socialist Parties and the Farm-Laborer Party are likewise standing in direct opposition to the government in power on all the major political issues.

In spite of it all, Japan has to determine her course of action in order to make her national economy self-supporting. It is strongly urged that some kind of comprehensive economic planning committee should be set up on an inter-party basis, which will be similar to the MacMillan Committee created back in 1929 by the Mac Donald Labor Government in Great Britain.

For the time being one way-out is to rely upon 1) the US Special Procurements for Korean rehabilitation and 2) the MSA aid, once the special procurement orders for the Korean War are no longer available.

There is another possible way-out. That is to draw up a comprehensive long-range economic program in line with the changing world condition created after the conclusion of the Korean Truce Agreement, always keeping an eye on the following factors:

1 As a result of the Korean Armistice, the armament war will be slowed down on a world-wide scale and there will be observed a

gradual recession of trade activities throughout the world.

2. In consequence, import restrictions will be further tightened and export competition will become all the more fierce throughout the world.

3. The price level in Japan, pulled up during the Korean War, is still kept unreasonable high, so much so that Japan is placed in quite a disadvantageous position to compete in the world market, her exports therefore being forced to remain inactive.

In preparation for any of these unfavorable factors that may arise, serious discussions have been held about effecting 1) rationalization of enterprises, 2) reduction of production cost, 3) restriction of imports and 4) promotion of exports.

Of course it is clearly understood that to rely upon the MSA aid and special procurement orders for Korean rehabilitation in place of those for the Korean War does not offer any hope for Japan's effort to make her national economy self-supporting.

A total amount of US dollar revenues from the US Special Procurements and the US Garrison Forces purchases in Japan reached about US $ 800,000,000 in the year 1952 or about 38.9 % of Japan's total foreign exchange revenues. In the same year Japan's exports earned US $ 1,168,000,000 while her imports reached as high as US $ 1,790,000,000 showing an excess of imports over exports of US $ 622,000,000. The deficit arising from this unfavorable trade balance was just offset by the US Special Procurement dollar income.

Critizing Japan's dependence upon government subsidies and financial aids from the United States for her economic rehabilitation, Mr. Joseph Dodge most aptly spoke of Japan "riding on stilts". meaning that her national economy depends almost completely upon two aid programs. After the restoration of independence, the US aid to Japan was cut off, but she could still fall back upon the US special procurement orders for the Korean War, finding it impossible to extricate herself from this "stilt" walking economy. The new 1953 budget bill likewise has all the appearance of a "stilt riding" financial program.

Japan made her début in the modern economic society at the time of the "Meiji Restoration" and her national economy therefore was intrinsically weak and not well founded from the very beginning. Buttressed by the austerity, hard work and cooperative action of the masses of the Japanese people, whose spiritual background was found in the national myth, of a medieval character, of regarding the Emperor as "the son of God", Japan made a humble start in the modern world. She was at first dominated by powerful semifeudalistic clans, which were subsequently succeeded by military and bureaucratic cliques, somewhat resembling the early period of the modern era when absolute monarchy reigned supreme.

With Japan's surrender, the support of these back-ground and old power politics has been liquidated. In its place financial aids from the United States and Korean special procurement orders have come to her rescue. Japan after the War therefore is said to have been living, so to speak, on "tank economy". In this sense it may not be far from the truth to say that Japan's national economy has never been self-supporting since the time of the "Meiji Restoration". She still has to continue subsisting on these Korean rehabilitation special procurements from the United States and the MSA aid, though it is apparent that these props will have to be taken away in the near future.

Such being the case, any basic self-supporting economic policy could only be evolved by restoring Japan's normal trade relations with the backing of the masses of the Japanese people whose austerity, hard work and cooperative action can always be counted upon as the most reliable economic props available. As a matter of fact, government subsidies, which Minister Dodge called one of the "stilts" supporting the Japanese economy, have in reality been furnished by the might and main of the Japanese people as a whole.

The Korean rehabilitation US special procurements and MSA aids in question may be construed to be necessary financial props, though of a temporary nature, in the process of erecting a basic self-supporting economic policy for Japan. She can, however, find her economic salvation only in the importation of large quantities of foodstuffs and essential raw materials and the exportation of those raw materials after having been properly processed.

In order to attain a favorable position in normal world trade relations, she has to improve her industrial technique and production facilities so as to be able to exploit as quickly as possible the very limited natural resources at her command, besides competing with the rest of the world for her superior skill in the technique of processing imported materials.

In other words, the most up-to-date technique must be introduced in manufacturing processes. Industrial technique must be developed to the highest level with a view to insuring, if humanly possible, maximum production efficiency. This will be the only royal road to her economic self-sufficiency.

To expect of Japan to tread this path seems rather far-fetched when we consider that Japan is today still far behind the world standards of industrial technology. In any case, there must be some way of launching upon the much desired long-range economic planning with this objective in mind.

In order to satisfy these basic needs in the process of production, the method of menagement must be fundamentally improved along with other renovations. That is to say, a new system of management must be instituted so that technological improvements will be fully harnessed to insuring maximum production efficiency. It is therefore very imperative for Japan to conceive a system of management whereby the capital, invested in production equipment and facilities, and the labor, contributing its brain and brawn, and the management, operating these production equipment and facilities, all can join hand in hand for the attainment of maximum production efficiency. This system of management therefore must be a "joint cooperation" of capital, labor and management working in complete unity.

As has already been observed, Japan's national economy in the wake of its recovery was supported not only by the hard work and cooperative action of the masses of the people, but also by their contribution in the form of taxes, which they were obliged to pay out of their meagre incomes, for the accumulation of capital funds and also for the development of various basic industries. Thus the Japanese people on the whole had to live a life of austerity in the past and may again be called upon to make further sacrifices. It is therefore natural to expect that the capital funds accumulated and the key industries promoted should be managed for the benefit of the masses and be made to serve their best interests. The key industries which have so far been financed and promoted in preference to other industries through government aids should owe their allegiance to the masses of the Japanese people.

In view of the foregoing, these key industrial enterprises must, in the true sense of the word, be looked upon as public *cooperations.* (Please note that they are not public corporations). This is an entirely new concept of managerial control. Under this form of management we can only expect that production equipment and facilities could be so employed as to secure the highest degree of efficiency. This form of management we call a production system based on "Cooperativism", or economy of "Cooperativism". (For lack of appropriate equivalents, a new Enlish word is coined here to translate the Japanese expression "Kyodo-shugi").

We are fully convinced that this system of "Cooperativism" only can offer a way-out for the Japanese economy to survive in competition with the rest of the world.

In fact Japan is not quite prepared to take up this historically new approach to her economic problems. Immediately after the war the People's Cooperative Party adopted in its political platform this very concept of "Cooperativism", but it failed to capture political power sufficient to have it translated into political action. The present Progressive Party states in its political platform that it stands for the principle of "Cooperativism", but here again this party expresses its interest in "Cooperativism" only as a matter of principle and no positive action has been taken to set it forth as a workable political measure. There are some in the Right-wing Socialist Party who support the idea of "Cooperativism", but the party itself is inclined to adhere to the principle of democratic socialism of a West-European brand.

VII - *Economic system of "Cooperativism"*

In the preceding chapters, the development of the national economy has been traced in the process of its recovery from the ravages of the last war, with particular reference to public finance. It has been made clear that Japan's economic recovery was essentially due to governmental action.

As stated in the beginning of this treatise, government funds have been transfused into the life-blood of the Japanese economy for its recovery from war damages. Aside from the Counterpart fund created through the sale of relief goods from the United States and Korean War special procurement orders, it must be clearly understood that the Japanese economy has been revitalized, consolidated and expanded to a greater extent through the accumulation of capital funds for the promotion of various enterprises, engaged in such activities as are considered essential for economic recovery.

It must not be ignored in this connection that all this was made possible through the labor and cooperative action of the masses of the people and also through the imposition of heavy taxes on the masses who were compelled to bear the tax burden to the extent of lowering their standard of living. It was no other than the fruit of the united effort of the Japanese people as a whole.

The accumulation of capital funds and the development of industries in postwar Japan have been to a great extent made possible by the united effort of the masses. It has particularly been true of the essential industries engaged in the production of basic commodities.

In order to attain economic self-sufficiency, we find it necessary first of all to develop to the highest degree industrial technology, which will help increase production efficiency and then to institute a new system of management which will make possible a happy coordination of capital, labor and management.

This new type of economic system cannot be expected to be brought into full play in the immediate future, as it has gained as yet no strong political backing.

Should this economic system have any significance from a historical standpoint, what place will this system occupy?

First of all, the economic system which expects to attain productivity as its primary motive is quite different from the classical capitalistic system which expects profits as its chief motive. As it is clearly shown in the process of its development, capitalism expects to attain productivity only incidental to the creation of profits. In this respect, capitalism contains in itself an element of social rationality.

"Cooperativism" (Kyodo-shugi), on the other hand, expects to achieve profitableness as a result of the attainment of productivity, because under the system of "Cooperativism" it is found most rational that a person contributing to social production with a higher degree of technical efficiency should receive a better monetary compensation from society for the achievement of productivity. In other words, capitalism expects to produce profits as a primary objective, expecting to achieve productivity incidentally, while "Cooperativism" expects to attain productivity as a primary objective, expecting to make profits incidentally.

In both cases, emphasis is placed differently. "Cooperativism", which presupposes that capital, labor and management are to work together as a triumvirate unit, rejects placing capital in a preferential position, in the belief that capital employed in production is no other than part of the production equipment.

"Cooperativism" aims at obtaining the highest degree of efficiency through the medium of productive equipment and facilities. "Golden Eggs" that capital is claimed to hatch, are not sought for under this system.

The capital we speak of here is quite different from the counterpart expression generally used in the existing capitalist society. Under "Cooperativism", it is meant to be a kind of prepayment to productive means and working force made in the process of cooperative effort for social production. Capital therefore is a form of prepayment recognizable only on an equal footing with labor and management in point of importance.

"Cooperativism" aims at effecting social production, in which respect it is not individualistic, but social. So long as the community profits by this production, however, people responsible for such production are entitled to receive compensation commensurate with the degree of productive efficiency.

In this connection, a discrepancy between individual consumption and savings will have to be expected since the degree of productive efficiency varies according to individual initiative and effort. In this limited sense, "Cooperativism" can be individualistic.

Taking all in all, "Cooperativism" may be said to be an economic system based on efficiency and it therefore leaves no room for inequality.

"Cooperativism" aims at social production, but is different from socialism, which denies private ownership of productive means. Under "cooperativism" private ownership is denied only when it is found to be impeding social production. Ownership itself is not important. What we are concerned with is to what extent such private ownership is contributing to social production.

It may be noted here that any industrial *cooperation,* like a privately operated enterprise, possessing its own productive means, self-employed and self-managed, can be most efficient from a production standpoint. In this sense, "cooperativism" is said to be based upon the principle of "efficiency first".

So long as "cooperativism" aims at social production, the entire production in society must be coordinated and integrated as one complete whole.

Capitalism takes a position to leave the individual initiative and cooperation for social production as a whole. Socialism has advocated state ownership and operation of all industries. "Cooperativism", however, presupposes individual management, but for the purpose of augmenting industrial efficiency on the whole, a systematic plan has to be made as regards demands and supplies of capital, equipment and raw materials within the limits found necessary to promote production under individual management. In this connection, an economic advisory body may well be created.

Incidentally, any monopoly liable to hamper production must be completely eliminated.

The poverty of natural resources compels Japan to import from abroad raw materials and other products in large quantity. On the other hand, in view of the existing economic condiitons in Japan. where monopolistic capitalists, besides enjoying the labor and cooperation of the masses of the Japanese people, keep themselves alive through the transfusion of blood in the form of government funds, which have been built up with a portion of the incomes of the masses, which are absorbed by the Government through taxation, any public *cooperation,* capable of consolidating and unifying into one coordinative body capital, labor and management should be a new economic set-up, which will eventually replace any monopolistic enterprise.

Capitalism has now reached the stage of monopolistic control, bringing into existence public corporations of all shades. These public corporations do not, however, assume the character of state ownership and management, as advocated by the old-fashioned socialists.

We wonder if the system of public *cooperation*, which is anticipated to stimulate the process of economic recovery in Japan, would be capable of assuming the role of a vanguard for a new economic society to be ushered in.

In the process of historical progress, it is believed that any thought considered superior today may be discarded tomorrow because of its failure to keep abreast of a new age and that any economic thought capable of keeping in line with the progress of history may be placed in a position to blaze the way for a new age. Herein lies a charm and a fascination in the drama of human progress.

LE REDRESSEMENT ECONOMIQUE ET LES FINANCES PUBLIQUES AU JAPON D'APRES-GUERRE

PAR LE PROFESSEUR TSUNESABURO TOKOYAMA

RESUME

L'économie du Japon cruellement éprouvée par la défaite de la guerre a eu, pour son relèvement, besoin d'être secondée par de larges mesures financières du gouvernement. Cet essai se propose d'examiner dans leur ensemble les rapports entre le redressement économique et les finances publiques au Japon et de démontrer dans quelle nouvelle direction se dirigent les pas de l'économie nippone.

Dans cet ordre d'idées, la phase du relèvement économique qui s'est effectué au Japon depuis la fin des hostilités (août 1945) jusqu'aujourd'hui (juin 1953) peut être divisée en cinq périodes:

Première période (août 1945—décembre 1946) — C'est la période de confusion et de frustration qui a suivi immédiatement la guerre.

Deuxième période (janvier 1947—décembre 1948) — C'est la période où, souffrant de l'inflation à un certain degré, on a tâché de relever avant tout l'industrie. C'est celle de „relèvement d'abord!"

Troisième période (janvier 1949—septembre 1951) — C'est la période où on a réussi à mettre un frein à l'inflation et où on considérait la stabilité économique comme étant de première importance. C'est celle de „stabilité d'abord!".

Quatrième période (octobre 1951—mai 1953) — Dans cette période, le traité de paix et l'accord administratif nippo-américain ont été signés. C'est la période de transition à l'indépendance économique.

Cinquième période (juin 1953—aujourd'hui) — Le général Eisenhauer a pris possession de ses nouvelles fonctions de président des Etats-Unis. En U.R.S.S., Malenkov est devenu président du conseil à la suite de la mort subite de Staline. Et en Corée, les négociations d'armistice vont enfin aboutir à un accord. Ces événements ont beaucoup changé la situation générale du monde et la cinquième période, c'est celle où le Japon est tenu d'établir de toute façon son indépendance économique.

Une grande particularité qu'il est permis de remarquer dans cette phase du relèvement économique, c'est le travail assidu et la vie d'extrêmes privations que la masse populaire s'est imposés volontiers pour collaborer au redressement économique du pays. Elle a su supporter la fardeau des charges financières et surtout des lourds

impôts. Elle a fourni par là une grande contribution à l'accumulation des capitaux, au développement des entreprises et notamment au redressement des industries de base. Pour le relèvement économique, la population s'est acquittée de lourds impôts et d'autres obligations financières, soit par son travail, soit par ses propres moyens, soit par le sacrifice de ses maigres ressources. Il est vrai que quantité d'objets de secours sont parvenus des Etats-Unis et que le Japon était favorisé de nombreuses demandes spéciales de marchandises dès le début de la guerre en Corée, mais on peut dire que le redressement de l'économie japonaise est presque exclusement dû à la généreuse coopération du peuple.

Par la vie d'extrêmes privations que la masse populaire a dû s'imposer au cours de longues années avant et pendant la guerre, elle n'a fait que d'éprouver de grandes pertes. De nombreuses maisons ont été réduites en cendres par des bombardements aériens. Un grand nombre d'usines d'importants produits manufacturés qui avaient été changées en celles d'armes et de munitions avant et pendant la guerre ont été également victimes des bombardements. Les hostilités finies, quelques usines ont été occupées et il y en avait d'autres dont le fonctionnement a été arrêté par les Américains, ce qui a eu pour résultat de diminuer notablement la production nationale. Le Japon ayant perdu presque la moitié de son territoire et mille privilèges dont il jouissait sur le continent, n'avait plus à sa disposition d'importantes ressources naturelles, et ses produits avaient perdu beaucoup de leurs importants débouchés. Les organes centraux du capitalisme japonais qui exerçaient une très grande influence avant la guerre ont été détruits par la monopolisation des entreprises, etc. De nos jours, l'économie japonaise ne peut faire autrement que de recourir à la capacité productrice des travailleurs en grand nombre. Afin que l'économie nippone puisse être indépendante dans le monde, le Japon doit, outre l'exploitation de ses modiques ressources qui subsistent sur un territoire beaucoup amoindri, importer des denrées alimentaires et des matières premières pour les exportations. Le commerce des articles fabrique's avec l'étranger, voilà sur quoi le Japon est obligé de s'appuyer et il en résulte nécessairement que son unique recours est décidément la production par le travail. Il est donc nécessaire aujourd'hui plus que jamais d'augmenter la capacité de production dans une large mesure par la technique avancée d'exploitation ou de travail et d'obtenir de la part des travailleurs une collaboration positive.

Vu toutes ces circonstances, on commence au Japon à proposer un „Coopérativisme". Celui-ci prévoit un système de coopération des trois facteurs: capital, administration et travail. C'est un système tout nouveau de production basé sur une histoire qui diffère tout à fait de celle du capitalisme ou du socialisme. Ce système n'est pas encore réalisé, bien que quelques partis politiques l'aient déjà adopté dans leur programme politique. Toutefois, en considération de tout ce qui précède, l'auteur de cet essai est convaincu de la possibilité et de la nécessité de voir la rélisation du „Coopérativisme".

BOOKREVIEW/CRITIQUES

Mr. W. H. van den Berge: Beginselen van de belastingheffing. Thèse à la Faculté de Droit de l'Université d'Amsterdam, et rapport pour une réunion de la Vereniging voor Belastingwetenschap. Ed. N. Samsom, N.V., Alphen aan de Rijn, 1949. - 162 pag.

Quand un homme qui a déjà fait sa carrière publie une thèse, on s'attend que la qualité de son oeuvre et le niveau de son sujet, de même que le style, dépassent de beaucoup la moyenne. Et quand un vice directeur général des impôts [1]) qui combine cette fonction avec celle de juge honoraire dans le tribunal civil et pénal dans l'arrondissement de son domicile publie une étude sur les principes qui régissent en fait, ou qui devraient régir, l'imposition, c'est dans une attente tendue que le lecteur intéressé commence sa lecture. La lecture du livre en question ne le décevra pas et l'admiration pour cette oeuvre ne sera pas inférieure à celle pour l'énergie qu'a exigée sa création.

L'auteur présente, dans un ordre logique, un grand nombre de faits, de considérations et de principes, qui, dans leur ensemble, régissent ou devraient régir l'activité législatrice en matière d'impôts dans les pays du monde occidental de nos jours. Qui dit considérations et principes, dit hiérarchie, et c'est notamment dans ce domaine que l'auteur a fait un travail utile pour la pratique.

Les pays ne sont pas rares où la fausse adscription d'une valeur absolue à certaines doctrines freine le progrès de la justice fiscale, et retarde même le développement économique de la nation.

Dans son exposé, l'auteur n'envisage que le monde occidental de nos jours, s'occupant tantôt du législateur fiscal tel qu'il est, tantôt du législateur fiscal tel qu'il est désiré par M. *Van den Berge*. Cette méthode permet à l'auteur, d'abord, de ne pas dire d'une manière explicite tout ce qui a été répété déjà à d'innombrables reprises dans l'histoire de la justification des-impôts, et ensuite, de s'abstenir de larges excursions dans les différentes doctrines qui ne sont pas les siennes, dans les domaines de la philosophie du droit et de la législation, de l'économie politique et de la science financière. Le résultat est un livre qui n'a absolument rien d'ennuyeux et beaucoup de charmant.

C'est surtout à l'exposé des problèmes et à leur interdépendance que l'auteur a dédié une attention large et profonde à la fois. Mais quant à la solution des problèmes, l'auteur, qui reconnaît la distinction entre ce qu'il faut faire et ce qu'on fait, exige du lecteur assez d'attention et de peine pour distinguer nettement entre le norme et l'interpretation des faits constatés par l'auteur. Car telle interprétation aussi peut rélever des principes, des normes, dans la mesure qu'ils se sont réalisés.

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[1]) Depuis la publication de la thèse en question, l'auteur est devenu directeur général des affaires fiscales législatives et internationales, et ensuite, le 1er février 1953, secrétaire d'Etat pour les affaires fiscales.

Le livre est composé de six chapitres et de deux tables.

Le premier et le deuxième chapitre exposent la problématique et la méthode. Les *chapitres troisième, quatrième et cinquième* s'occupent de la fiscalité sous les points de vue financiers, économiques et fisco-techniques respectivement. Ces chapitres décrivent un grand nombre de conséquences de l'action (ou de l'inertie) du législateur et prononcent, de façon implicite parfois, des opinions favorables ou défavourables sur ces concéquences. Le point de vue de la philosophie du droit est le sujet du *sixième chapitre*. Ici, l'auteur déploie tout d'abord la conception de *la notion de justice qui doit être à la base de l'imposition*. Puis, dans une seconde partie de ce chapitre, il se limite au peuple néerlandais de nos jours en parlant de la teneur de la notion de justice en matière fiscale et de ses rapports avec le point de vue social.

Beginselen van de belastingheffing (Principes de l'imposition) est un livre théorique dans le vrai et juste sens du mot, c.à.d. que, à l'aide d'un minimum de dogmatique, il contribue largement à l'ordre dans la pensée. Nombreux sont les points de vue que la littérature et la pratique recommandent aux législateurs d'observer. L'auteur s'est efforcé d'assigner à tous ces points de vue leur place dans le cadre de l'entier et de placer, à la fois, le problème de la fiscalité contre le fond des problèmes généraux du droit et de l'économie politique (p. 6). Il est important, même nécessaire, de se mettre en quête d'une balance à l'aide de laquelle on puisse pondérer les divers points de vue l'un contre l'autre (p. 7). D'une réussite dans cette recherche il ne prévoit pas, il est vrai, que tout le monde parvienne à la même évaluation, mais il en attend, cependant, une discussion plus féconde, plus tendant à la synthèse. Il faut trouver, par la voie inductive, les convictions générales qui vivent dans peuple. L'écrit de Van den Berge ne prétend pas donner une philosophie fondamentale (a basic philosophy) des relations entre l'Etat et les citoyens, dans les démocraties occidentales modernes. Mais il estime essentiel une telle „philosophie", si l'on veut s'orienter sur la place de la fiscalité dans l'entier des choses. Cette place indique la fonction des principes, et celle-ci, à son tour, détermine leur hiérarchie. C'est pourquoi l'auteur indique la direction dans laquelle, à son avis, il faut chercher; en outre, il a voulu apporter quelques pierres.

L'une de ces pierres, me paraît-il, est une expression que l'auteur emprunte à l'auteur américain *Randolph E. Paul* (Taxation for Prosperity, New York 1947, p. 207). M. *Van den Berge* dit que toute activité de l'Etat, et par conséquent l'imposition aussi, doit tendre à *„creating and maintaining the world we want"* (la création et la conservation du monde dans lequel nous désirons vivre).

Vers la fin de l'oeuvre (p. 114) cette formule adoptée par l'auteur est interprétée de manière que le monde désiré est précisé comme étant le monde désirable du point de vue Justice absolue, celle-ci dans la mesure qu'on peut la connaître dans sa révélation relative: la Notion humaine de Justice, notion qui est relative puisqu'elle dépend de la nation et varie avec l'époque.

L'expérience de l'auteur lui a enseigné que les larges différences religieuses, méthaphysiques et, d'une manière générale, philosophiques, entre les divers groupes et groupements du peuple, n'empêchent pas à ces groupes et groupements, de tomber d'accord sur les exigences concrets de la Justice fiscale, pourvu que le désir existe de trouver une commune formule et pourvu qu'on ne se borne ni à défendre des intérêts seulement, ni à défendre des théories fiscales préconçues, mais qu'on soit disposé à reconnaître les manifestations de la Notion de Justice dans les opinions d'autrui.

C'est donc tout d'abord la méthode inductive qui doit renseigner ceux qui s'appliquent à le science fiscale. Les théories justificatoires d'impôts ont surtout un rôle descriptif et n'ont qu'indirectement un rôle constitutif, et ceci explique le phénomène bien connu que l'impôt est antérieur à la théorie qui l'explique et le justifie (p. 123).

Selon l'auteur, c'est la notion de la justice qui pèse les éléments financiers, économiques, sociaux, fisco-techniques et autres, quant à leur importance pour la conservation et le développement de la nation, pour les relations entre les membres collectifs et individuels de la communauté nationale et pour les relations entre ces membres et cette communauté elle-même; également il incombe à cette notion de justice de comparer les effets de ces éléments financiers, etc. aux idéaux vivant dans la nation et de les passer par le tamis d'un certain sens pratique (p. 133). Ainsi, pour l'auteur, le bon sens n'est qu'un instrument au service de la notion de justice, c'est celle-ci qui n'est pas pesée ou jugée, mais qui pèse, à titre de juge elle-même, les choses à peser n'étant que les élements financiers, économiques, sociaux, techniques, etc.

Quand on prend connaissance des discussions tenues dans la réunion de travail de la *Vereniging voor Belastingwetenschap* du 7 mai 1949 2) l'impression surgit que la Notion de Justice se pré-

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2) No. 74 des Publications de cette Association (N. Samsom, Alphen aan de Rijn 1950).

sente à *Van den Berge* comme la norme par excellence, comme une autorité à droit de placet ou de véto qui a droit à la dernière parole. les autres éléments n'étant que d'ordre causal.

Bien des lecteurs, j'en suis sûr, jugeront plus heureux les chapitres descriptifs et anti-doctrinaires du livre que la petite partie doctrinaire où le juriste *Van den Berge* réserve, en matière de législation fiscale, le diamant du bon sens à la couronne de la Notion de Justice. Il faut se réaliser, pourtant, qu'aussitôt que les exigences de la justice sont considérées comme dépassant le cadre de la seule justice fiscale distributive, on rencontre des difficultés logiques en assignant aux problèmes de la justice fiscale le même plan qu'à ceux de caractère économique, financier ou technique.

Le livre, qui révèle des connaissances étendues de la littérature, présente également les résultats d'une vaste expérience dans le champ des problèmes qui s'offrent aux législateurs fiscaux. L'exposé de tout cela, quoiqu' admirable, invite toutefois le lecteur à faire quelques objections dans les domaines économique et financier. Si l'on veut se servir de la distinction entre le domaine économique et le domaine financier (distinction courante surtout chez les savants des pays latins), il faut le faire systématiquement. *Van den Berge,* cependant, traite de la politique fiscale anti-inflationniste dans le chapitre économique et non dans le chapitre financier, chapitre qu'il réserve plutôt aux aspects budgétaires. La théorie financière du plein-emploi (Keynes), elle aussi, est mentionné dans le chapitre économique, qui, d'ailleurs, suggère que la soustraction de pouvoir d'achat au secteur privé de l'économie nationale précède normalement aux dépenses des pouvoirs publics.

Terminons ce bref compte rendu en signalant que *Van den Berge* a enrichi la terminologie en créant la distinction entre le *neutralité* et la *fiscalité* de l'imposition, la fiscalité étant la neutralité voulue (ou admise) par le législateur. La neutralité économique et sociale de l'imposition est considéré, à juste titre, comme n'étant guère réalisable.

Il est bien regrettable que ce livre tellement intéressant sur les principes à la base de l'imposition n'a paru, jusqu'alors, qu'en langue néerlandaise et et que cette publication ne contient même pas un sommaire en langue française ou anglaise.

B. SCHENDSTOK

Dr Kurt Heinig: Haushalt-Fibel, H. Holzmann Verlag, Bad Wörishofen, Allemagne, 1953, 140 p.

Le professeur K. Heinig n'est certainement pasun inconnu pour les lecteurs de „Finances Publiques". Il est l'auteur d'un ouvrage monumental „Das Budget", qui lui a valu le titre de docteur honoris causa de l'Université de Stockholm et dont les idées maîtresses ont été exposées par l'intéressé lui-même dans un récent article paru dans la présente revue. [1])

Alors que „Das Budget" est destiné aux spécialistes, le nouveau livre du professeur K. Heinig, „Haushalt-Fibel" (Un abécédaire du budget), a par contre, comme son titre l'indique, un caractère tout différent. A la demande de l'Union des Contribuables de son pays, l'auteur a été invité à écrire un ouvrage de vulgarisation sur le budget allemand.

L'entreprise à laquelle s'est attaqué l'auteur n'était pas simple. Il ne faut, en effet, pas perdre de vue que le système budgétaire allemand compte parmi les plus complexes et obscurs du continent. Dans ce pays qui, par ailleurs, a toujours mahché à la pointe du progrès technique, le budget est encore établi, à l'heure actuelle, suivant des conceptions foncièrement traditionnalistes, voire archaïques.

Le passage suivant de „Haushalt-Fibel", qui est écrit dans un langage simple et imagé, est significatif à ce sujet:

> „Nous savons déjà que le budget allemand fut créé il y a longtemps, „sur la base d'idées qui ne revêtent plus, à l'heure actuelle, dans leur „ensemble, qu'un intérêt purement historique. Il devint, par la suite, un „budget à étages multiples, à la construction duquel de nombreuses „générations concoururent avec un succès et une compréhension variables. „Il s'ensuit que cette „construction" est dépourvue d'un style uniforme. „Elle devint un assemblage de formes étatiques et de théories périmées, „de traditions administratives et, en même temps, de nécessités actuelles, „qui furent accouées les unes aux autres. Quoique l'on veuille, nous possédons, en Allemagne, cette „construction" dont les origines remontent aux „XVIIe et XVIIIe siècle (pendant combien de temps encore?), avec „des entresols et des mansardes, des tourelles et des pavillons, des trans- „formations et des annexes provisoires datant du XIXe et du XXe siècle, „ainsi qu'avec des constructions de fortune de l'époque 1945. Il importe, „par conséquent, de nous orienter dans cette „construction", en nous „familiarisant, au besoin, avec les „escaliers en limaçon" peu connus mais „d'un usage fréquent, qui mènent d'un étage à l'autre, avec les „alcôves", „avec les „corridors" en labyrinthe et les petites „portes-tapisserie", et tout „particulièrement avec les „portes à glissière" qui séparent les uns des „autres les différents appartements."

Le but poursuivi par le professeur K. Heinig a-t-il été atteint?

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[1]) Dr K. Heinig, Das Budget und seine Darstellungsformen, Finances Publiques, no. 1 de 1953, p. 72 à 88.

En d'autres mots, le contribuable allemand dispose-t-il, maintenant, d'un guide susceptible de l'éclairer sur le mécanisme de la technique budgétaire de son pays? Voilà une question à laquelle nous saurions difficilement répondre.

Par contre, nous nous plaisons à rendre hommage à la compétence de l'auteur de „Haushalt-Fibel". Grâce à cet ouvrage, nous disposons enfin d'une étude intéressante et up to date sur le budget allemand. On apprend ainsi, non sans su mettre à profit l'effondrement du IIIe Reich pour faire table rase de l'ancienne „construction budgétaire" et instaurer à sa place un système budgétaire moderne, pourvu d'une comptabilité patrimoniale et comportant une ventilation des opérations, suivant les principes de la comptabilité nationale.

Les nombreux et beaux graphiques insérés dans le livre, en vue d'illustrer entre autres le cycle quadriennal du budget allemand, l'existence au sein de celui-ci d'opérations ordinaires (permanentes et accidentelles) d'une part et extraordinaires d'autre part, la subdivision du budget en chapitres, articles et litteras, etc.... méritent une mention toute spéciale. Ils montrent combien des représentations de ce genre peuvent aider à la compréhension de textes dans un domaine où, jusqu'à présent, les auteurs ont beaucoup trop peu fait appel à ce procédé.

Est-il besoin de dire que les critiques formulées par le professeur K. Heinig, à l'égard de la lourdeur et de la complexité du cycle budgétaire allemand des „cavaliers budgétaires" et autres traquenards dont le budget allemand est truffé, s'appliquent mutatis mutandis aux documents budgétaires de bien d'autres pays progressistes.

M. FRANK

NOTICE

It is both an honour and a pleasure for the Editors to inform the readers of this paper that two well-known authorities in the field of public finance have been found prepared to join the Editorial Board, namely

Professor Carl Shoup, professor of Public Finance in the Columbia University of New York and Chairman of the International Institute of Public Finance for North America, and

Dr. Max Frank, Inspector of Finance at Brussels, a distinguished author, especially in the field of the budget.

We are convinced that these new members of the Editorial Board are an acquisition to this paper and will constitute a considerable support to its work. We extend them a hearty welcome!

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On the other hand, the management of this paper is unfortunately compelled to raise the subscription to D.fl. 21.50 for the Netherlands and to fl. 26.50 abroad. This has become necessary because for some time past neither the fixed nor the variable costs involved in the publication of this paper have been completely covered.

As every economist knows, prices, which had risen considerably as a result of the crisis in Korea, have receded only partly; since this higher level was maintained and wages followed the movement, adaptation of the subscription became unavoidable.

Even after the price increase "Public Finance/Finances Publiques" is still an exceptionally inexpensive periodical, the more so when it is borne in mind that it will continue to be publised in several languages.

We hope that our esteemed subscribers will understand this measure, so that in future, too, this paper will keep them informed of international developments in the field of our studies and our science.

The new price in the currence of individual countries will be published on the cover of No. 1/1954.

The Editor-in-Chief and Director,
Dr. J. A. MONOD DE FROIDEVILLE

AVIS DE LA REDACTION ET DE LA DIRECTION

La rédaction a l'honneur et le grand plasir d'annoncer aux lecteurs de cette revue que deux autorités bien connues dans le domaine des Finances publiques se sont déclarées prêtes à faire partie de la rédaction, à savoir

> Monsieur le professeur Carl Shoup, professeur ordinaires de Finances publiques à la Columbia University à New York et Président de l' „Institut International de Finances Publiques" pour l'Amérique du Nord, et
> Monsieur le docteur Max Frank, inspecteur des Finances à Bruxelles et écrivain bien connu, notamment dans le domaine budgétaire.

Nous sommes convaincus que les nouveaux membres de la rédaction constituent un gain précieux pour notre revue et leur travail un appoint impórtant. Cerdialement nous leur souhations la bienvenue!

* * *

Par ailleurs la direction de cette revue se voit à son regret contrainte d'augmenter le prix de l'abonnement annuel jusqu'à Hfl. 21.50 pour les Bays Bas et Hfl. 26.50 pour l'étranger. Cela est devenu inévitable par le fait que depuis un certain temps ni les frais fixes ni les frais variables de la confection de la revue n'ont été entièrement couverts.

Comme le sait tout économiste, les prix, qui en corrélation avec la crise coréenne avaient notablement augmenté, ne sont retombés que partiellement, de sorte qu'en se maintenant à un niveau supérieur et en laissant continuellement suivre les salaires, une réadaptation du prix de l'abonnement est devenu maintenant inéluctable.

Mais même après l'augmentation de ce prix, la revue „Public Finance/Finances Publiques" reste toujours une revue extrêmement bon marché, — d'autant plus qu'il faut tenir compte du fait que nous voulons continuer à la faire paraître en plusieurs langues.

Nous espérons que les honorés abonné's de la revue auront de la compréhension pour cette mesure qui leur permettra de continuer, grâce à elle, à s'informer, sur une base internationale, au sujet de l'évolution de ce qui fait l'objet de nos recherches et de notre science.

Les nouveaux prix, exprimés en devises des divers pays, seront publiés sur la couverture du numéro 1 de 1954.

Le rédacteur en chef et directeur

Dr. J. A. MONOD DE FROIDEVILLE.

VON DER SCHRIFTLEITUNG.

Es ist der Redaktion eine Ehre und grosze Freude, den Lesern dieser Zeitschrift mitzuteilen, dasz zwei notorische Autoritäte auf dem Gebiete der öffentlichen Finanzen dazu bereit gefunden sind in die Redaktion zu treten und zwar

> Herr Professor Carl Shoup, ordentlicher Professor der öffentlichen Finanzen an der Columbia University in Neu-York und Vorsitzender der „Institut International de Finances Publiques" für Nord-Amerika, und
>
> Herr Doktor Max Frank, Finanzinspektor zu Brüssel und bekannter Schriftsteller, insbesondere auf dem Gebiete des Budgets.

Wir sind davon überzeugt, dasz die neuen Mittglieder der Redaktion einen groszen Gewinn für unsere Zeitschrift bedeuten und ihre Arbeit eine wichtige Stütze. Wir rufen ihnen gerne ein herzliches Willkommen zu!

* * *

Andererseits sieht die Leitung dieser Zeitschrift sich zu Ihrem Bedauern dazu gezwungen, den Bezugspreis zu stellen auf Hfl. 21.50 für die Niederlände und Hfl. 26.50 für das Ausland. Dies ist dadurch unumgänglich geworden, dasz seit einiger Zeit bei der Herstellung der Zeitschrift weder die fixen noch die variabelen Kosten vollständig gedeckt wurden.

Wie jeder Nationalökonom weisz, haben sich die Preise, die im Zusammenhang mit der Korea-Krise erheblich angestiegen waren, nur teilweise zurückgebildet, so dasz mit dem Verharren auf dem höheren Niveau und dem fortgesetzten Nachziehen der Löhne, eine Anpassung des Kaufpreises nunmehr unvermeidlich geworden ist.

Auch nach der Preiserhöhung ist die Zeitschrift „Public Finance/Finances Publiques" immer noch eine auszerordentlich preisgünstige Zeitschrift. Dies umsomehr, wenn man berücksichtigt, dasz wir sie auch weiterhin mehrsprächtig herausbringen wollen.

Wir hoffen, dasz unsere geschätzten Bezieher Verständnis für die Masznahme besitzen, um weiterhin die Möglichkeit zu haben, sich durch unsere Zeitschrift über die Entwicklung unseres Forschungs-objektes und unserer Wissenschaft auf internationaler Basis zu informieren.

Die neuen Preise in der Landesmünze der einzeln Ländern werden auf de Decke der Nummer 1/1954 veröffenticht werden.

Der Chef-Redakteur und Direktor
Dr. J. A. MONOD DE FROIDEVILLE.

THE SHIFTING OF SALES TAXES UNDER JOINT COSTS

BY ELMER D. FAGAN

Professor of Economics in Stanford University, Stanford, California

Since economists have neglected the analysis of tax shifting under conditions of joint costs, an attempt will be made in the present study to indicate the direction of change in the output and price of joint products in response to a sales tax. More specifically, the study will be concerned with a diagrammatic analysis of the shifting of sales taxes in the short-run period under conditions in which the individual joint products are produced in fixed proportions. 1)

I.

PURE COMPETITION.

Under joint costs with fixed proportions between the individual joint products, the cost of production of individual products is indeterminate. It is necessary, therefore, for the producer who desires to maximize profits to think in terms of *joint* cost of production and to attempt to equate joint marginal cost and total marginal revenue of an appropriate unit of his joint products. In the present study, this appropriate unit of output is taken to be a composite unit of which the individual joint products are a constant magnitude. 2) For example, in the production of cotton seed and cotton fiber the appropriate unit of output is one which will always yield these products in their natural proportions, viz., two pounds of seed and one pound of fiber. The total marginal revenue from each unit of output would be, therefore, the sum of (1) the marginal revenue from two pounds of seed, and (2) the marginal revenue from one pound of fiber.

The left-hand portion of Figure 1 represents the short-run cost

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1) The basic assumptions which underlie the reasoning and conclusions in this article are the following: (1) pure competition, monopoly, and oligopoly in Paris I, II and III respectively; (2) short-run period; (3) fixed proportions; (4) constant aggregate demand function; (5) no effect of cross-elasticity of demand of the joint products on either their output or price; and (6) constant factor prices. There is also the minor assumption that every producer views the tax as permanent. To facilitate the analysis, it is also assumed throughout this study that there are only two joint products and that their demand functions are linear. The technique of analysis which is suitable for only two joint products is equally suitable for any number of joint products.

2) This type of composite unit of output has been used by R. T. Bye, "Composite Demand and Joint Supply in Relation to Public Utility Rates", *Quart. Jour. Econ.*, Nov. 1929, 40-62; and by Marshall Colberg, "Monopoly Prices Under Joint Costs Fixed Proportions", *Jour. Pol. Econ.*, Feb. 1941, 103-10.

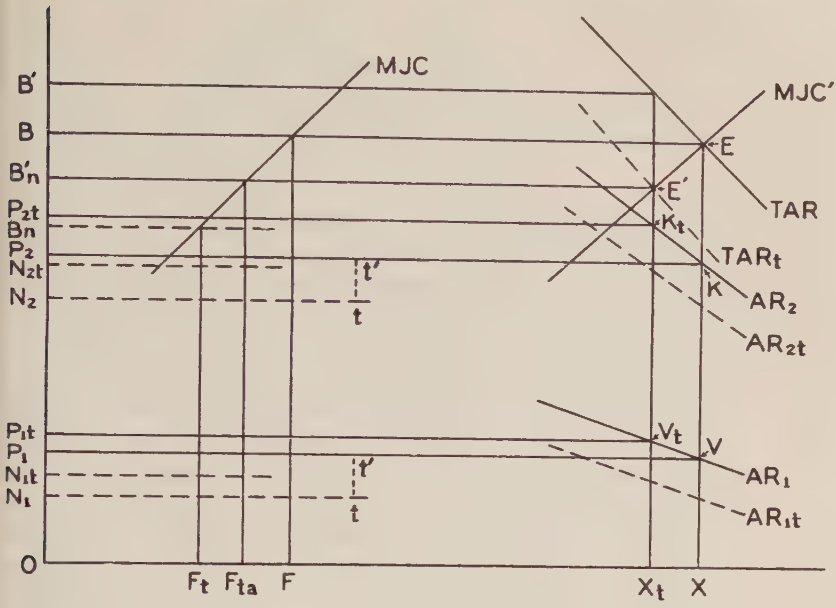

FIGURE I

and revenue conditions of an individual producer of the joint products cotton seed and cotton fiber. His equilibrium rate of output before tax is OF, since marginal joint cost, MJC, at this output, is equal to total marginal revenue, OB.

Two different cases will be considered, viz., (1) a discriminatory sales tax on an individual producer, and (2) a sales tax which applies to a whole industry. The case of a general sales tax is not considered.

In the case of a discriminatory sales tax of an amount, say tt', on each unit of each of the joint products of an individual producer there is a reduction in the marginal revenue, net of tax, at each rate of output from OP_1 to ON_1 in the case of cotton seed, and from OP_2 to ON_2 in the case of cotton fiber. 3) Total marginal revenue, net of tax, from each unit of output of the joint products is

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3) Under conditions of pure competition the qualitative effects of an ad valorem sales tax on output and price are identical with those of a specific sales tax. Where a specific sales tax causes a reduction in either marginal or average revenues by an amount equal to the tax, or in either total average revenue or total marginal revenue by twice the amount of the tax, an ad valorem sales tax causes a reduction by a percentage equal to the rate of the tax. No attempt is made in the present study to compare the quantitative effects of these two types of sales taxation.

reduced from OB to OBn. The post-tax equilibrium rate of output for the individual firm would be OFt since MJC is equal to Bn at this rate of output.[4] Under pure competition, this decrease in the rate of output from OF to OFt by one individual producer causes no appreciable change in the price of either of the joint products.

Now let us assume that the specific sales tax tt' is imposed upon every producer in the industry. In the right-hand portion of Figure 1, the demand (TAR, total average revenue) and supply (MJC', marginal joint cost) intersect at point E and establish the equilibrium rate of output OX for the industry. The ordinate of the point of the intersection of lines XE and AR_1 (the demand or average revenue for seed) determines the price per two-pound unit of cotton seed, XV or OP_1 The ordinate of the point of intersection of XE and AR_2 (the demand or average revenue for fiber) determines the price per pound of cotton fiber, XK or OP_2.

The imposition of the specific sales tax tt' on each of the joint products of every producer in the industry causes (1) a reduction in AR_1, net of tax, to AR_1t, (2) a reduction in AR_2, net of tax, to AR_2t, and (3) a reduction in TAR, net of tax, to TARt. Marginal joint cost, MJC', now intersects total marginal revenue, net of tax, TARt at E' and establishes the post-tax equilibrium rate of output OXt for the industry. The ordinate of the point of intersection of XtE' with AR_1 and AR_2 determnies the post-tax price of seed and fiber respectively. The price per two-pound unit of seed is increased from OP_1 to OP_1t. Post-tax marginal revenue from seed, net of tax, as seen by the individual producer, becomes ON_1t. The price per pound of fiber is increased from OP_2 to OP_2t. Post-tax marginal revenue from fiber, net of tax, as seen by the individual producer becomes ON_2t. The abscissa of the point of intersection of MJC and OB'n establishes the rate of output OFta for the individual producer.

From the preceding analysis it may be concluded that in the short-run period under conditions of pure competition a sales tax on each of the joint products of every producer in a given industry causes: (1) a decrease in the rate of output by the individual pro-

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4) The short-run supply curve of joint products for the individual firm under pure competition is the segment of the marginal joint cost curve above the point at which this curve intersects the curve of average variable joint cost. The short-run supply curve for the industry is the sum of the joint marginal cost abscissas (above the point at which the marginal joint cost curve intersects the average variable joint cost curve) at each several price. The average variable joint cost curve is not shown in Figure 1.

ducer and by the industry, and (2) an increase in the price of each of the joint products. The magnitude of the change in the rate of output and in the price of each of the joint products is a function of the height of the tax and of the slope of the MJC' curve, and of the average revenue curve of each of the joint products within the relevant range. 5)

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5) The diagrams have been constructed upon the assumption that a specific sales tax of equal amount is imposed upon each of the joint products. For the reader who has followed these diagrams, it should be a relatively simple matter to make the appropriate diagrammatic modifications required in the case of the taxation of only one product or in the case of the unequal taxation of the different joint products. In Figure 1, for example, had a tax of tt' been levied against the sale of only one of the joint products, instead of against each of them, it would have caused: (1) a smaller decrease in the rate of output of the joint products; (2) a smaller increase in the price of each joint product; (3) lower marginal revenue, net of tax, to the individual seller in the case of the taxed product; and (4) higher marginal revenue net of tax, in the case of the untaxed product. The untaxed product would have become relatively more attractive economically than the taxed product. There would have been a tendency, therefore, to alter the proportions of the joint products in the direction of a greater proportion of the untaxed product relative to the taxed product in the composite unit of output. The feasibility of such alteration of proportions would depend, of course, upon such factors as (1) the nature of the product (whether the proportions were fixed by nature); (2) technological problems involved; and (3) the cost of effecting the desired alteration of the proportions of the joint products.

II.

MONOPOLY.

The treatment of the shifting of sales taxes under conditions of monopoly requires an individual analysis of each of two distinct cases: [6]

A. The case in which the marginal revenue of joint product 1 (the cheaper product), MR_1, in Figure 2, is a positive magnitude at every rate of output to the left of the rate of output at which the marginal joint cost curve, MJC, intersects the total marginal revenue curve, TMR.

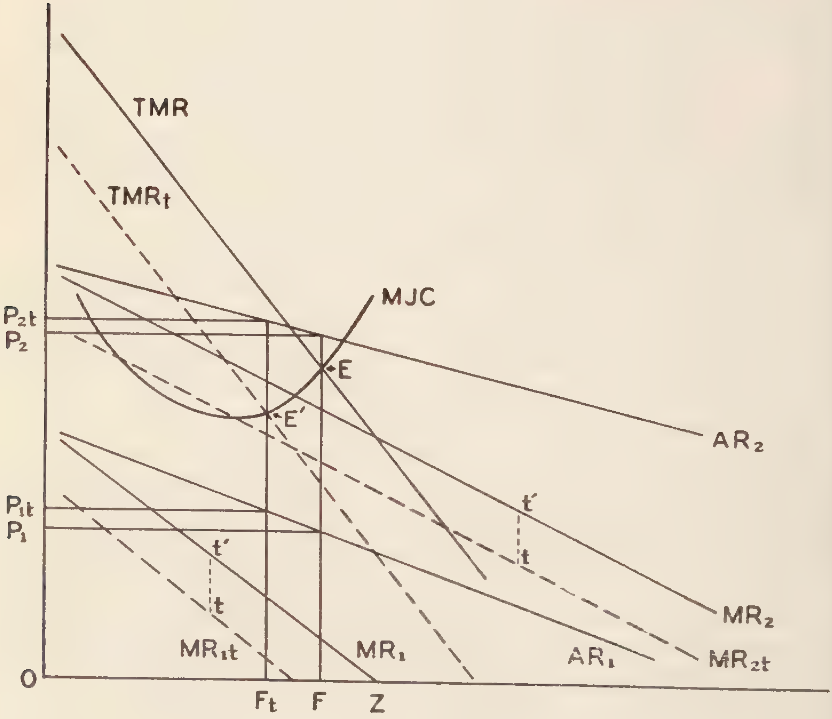

FIGURE 2

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[6] In Part II, the analysis is concerned primarily with the case of single monopoly, but some observations on the shifting of sales taxes under collective monopoly are made in the closing section. In the treatment of the case of single monopoly I am indebted to Marshall Colberg. My analysis of this case is essentially an adaptation to the problem of tax shifting of the results of his excellent study. *Op. cit.*

B. The case in which MJC intersects TMR and TMR, net of tax, TMRt, to the right of the rate of output at which marginal revenue of joint product 1 becomes zero.

Case A.

This case is illustrated in Figure 2 where MJC intersects TMR at point E which is to the left of point Z. The abscissa of point E establishes the pre-tax equilibrium rate of output OF. The price is OP_1 for joint product 1 and OP_2 for joint product 2.

The imposition of the specific sales tax,, tt', on each unit of the joint products reduces the average and marginal revenue, net of tax, by an amount equal to the tax. Marginal revenue, net of tax, from joint product 1 becomes MR_1t, and from joint product 2, MR_2t. The ordinate of TMRt, total marginal revenue net of tax, at any output is the sum of the ordinate of MR_1t and MR_2t at that output.

Now MJC intresects TMRt at point E' and the abscissa of point E' establishes the post-tax equilibrium rate of output OFt. At this rate of output the price becomes OP_1t for joint product 1 and OP_2t for joint product 2. In short, the tax causes a decrease in the rate of output by the amount FFt and an increase in price of P_1P_1t and P_2P_2t in the price of joint product 1 and joint product 2 respectively.

Case B.

This case is illustrated in Figure 3. There MJC intersects MR_2 at an abscissa equal to OK and thereby establishes OK as the monopolist's pretax equilibrium rate of output. At this output the marginal revenue from joint product 2 *alone* is equal to the marginal joint cost of the Kth unit of output of joint product. At any rate of output greater than OK, however, MR_2 is less than MJC. If the marginal revenue from joint product 2 is not permitted to be decreased by the negative marginal revenue from joint product 1, the monopolist will maximize profits by producing at the rate of output at which MJC intersects MR_2. This requires, in terms of Figure 3, that outputs of joint product 1 greater than OF be held off the market. The pretax equilibrium condition is one, therefore, in which the rate of sale is OF and price is OP_1 for joint product 1, and rate of output and sale is OK and price is OP_2 for joint product 2.

The imposition of a specific sales tax of an amount, say, tt', on each of the joint products of the monopolist reduces MR_1 and MR_2, net of tax, to MR_1t and MR_2t respectively. TMR, net of tax, is TMRt. Since MJC cuts TMRt to the right of the output at which the marginal revenue of joint product 1, net of tax, becomes zero, and since MJC intersects MR_2t at point E', there is a decrease in

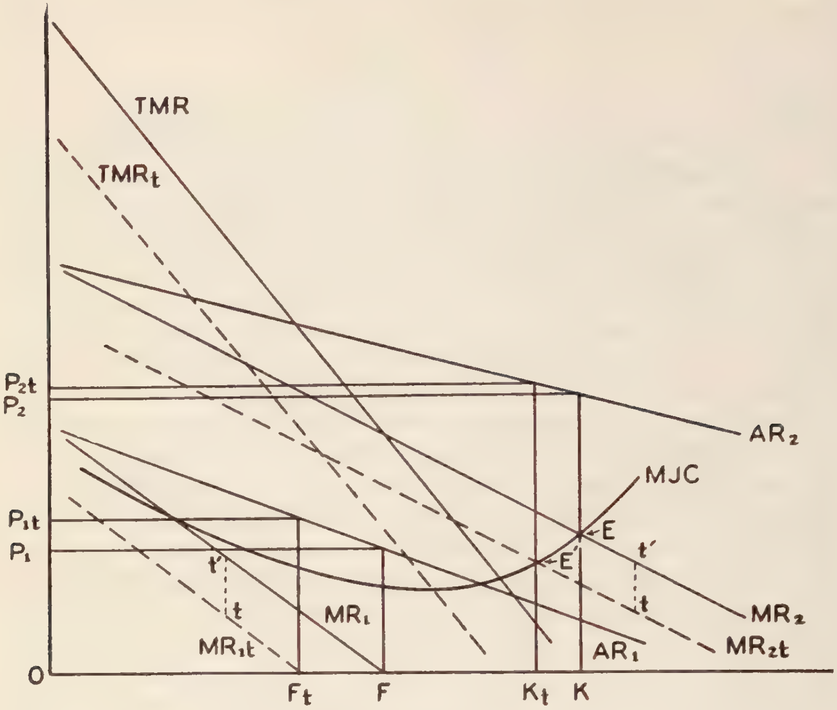

FIGURE 3

the rate of output of joint product 2 from OK to OKt and an increase in its price from OP_2 to OP_2t. In the case of joint product 1 there is a decrease in the rate of sale from OF to OFt and an increase in price from OP_1 to OP_1t. These changes occur because the marginal revenue of joint product 1, net of tax, MR_1t, is lower at each output than MR_1 by an amount equal to the tax. MR_1t becomes zero at output OFt which is, of course, a lower rate of output than OF. The lower output, OFt, sells for the price OP_1t, which is higher than the pretax price OP_1. 7)

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7) If an ad valorem instead of a specific sales tax had been imposed, and in conformity with the basic requirements of Case B, no change would have taken place in the price of joint product 1. In Figure 3, the pretax marginal revenue curve of joint product 1, viz., MR_1; and the appropriate marginal revenue curve, net of ad valorem sales tax, would converge at point F. This is true because an ad valorem sales tax causes a reduction in marginal revenue, net of tax, of a percentage equal to the rate of the tax. Since pretax marginal revenue is zero at point F, marginal revenue, net of ad valorem tax, must also be zero at point F. Therefore, there is no change in either the rate of sale or the price of joint product 1.

We consider next the case of collective monopoly where competition and product substitution have been eliminated by price agreement. In his treatment of collective monopoly, Scitovsky has distinguished between (1) the case where the cost curves and demand curves of the individual firms are identical, and (2) the case where the cost and demand conditions are different. [8])

Under the assumption that cost curves and demand curves are identical, it follows that the diagrammatic representation of the effect of sales taxes on the output and price of the joint products of any one individual firm may be regarded as qualitatively representative of the group; the conclusions which were reached by the diagrammatic analysis in the case of single monopoly are equally valid for identical firms in the case of collective monopoly.

If the member firms of a collective monopoly are not identical, the analysis of tax shifting which is appropriate in the case of single monopoly is not completely adequate for the case of collective monopoly. This is true because the dissimilarity of either cost or demand conditions of the individual members will, as Scitovsky points out, cause the adoption of a common market policy which will be the result of compromise. [9]) Since the working out of such a compromise is "a delicate, difficult, and lengthy process", Scitovsky holds correctly that "the market offer adopted by a collective monopoly is likely to be more stable and longer adhered to than other market offers, simply because the parties to the agreement shirk the bother and difficulties that reaching a new compromise agreement would involve." [10])

Now what is the relevance of Scitovsky's observation concerning collective monopoly of dissimilar firms to the shifting of sales taxes? The answer is that, in contrast with the case of either single monopoly or collective monopoly of identical firms, tax shifting under collective monopoly of dissimilar firms would be more difficult and more delayed; and it might not take place at all if the tax were too low to seem to justify the "bother and difficulties that reaching a new compromise agreement might involve".

In the event, however, that tax should lead to a new compromise agreement, the magnitude of the tax-induced change in output and price would be dependent in part upon the slope of the marginal cost curve and the marginal revenue curve of the more powerful and influential members of the collective monopoly.

It is conceivable that a potential pre-tax price leader might refuse to enter a post-tax price agreement and decide to "go it alone". In this case, however, other members might decide to follow; in which event, the tax would have transformed a condition of collective monopoly into one of price leadership. This latter case will now receive attention as one of the several possible forms of oligopoly.

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[8]) Tibor Scitovsky, *Welfare and Competition* (Chicago, 1951), pp. 378-84.

[9]) *Ibid.,* p. 382.

[10]) *Ibid., p. 382.*

III.

OLIGOPOLY

The analyses which follows is limited to an application of contemporary oligopoly theory to the problem of the shifting of sales taxes under joint costs in only three of the many possible oligopolistic cases, viz., (1) price leadership, (2) the policy of playing safe, and (3) the kinked demand curve. 11)

Price leadership.

Scitovsky has shown that "when one firm is a price leader and the others are price followers, they will act as though they had formed a collective monopoly and concluded an agreement to pursue a common price policy". 12) From this it follows that the effects of sales taxes on outputs and prices of joint products in the case of price leadership are indentical with those which were pointed out in the case of collective monopoly.

A condition of price leadership does, however, bring into sharper relief the question of the difference between the effects of a discriminatory sales tax on a single firm and those of a sales tax applying to an entire industry. 13)

If a sales tax were levied upon a single firm, the probability of shifting would be much greater if the firm were a price leader than if it were a price follower. This is true because the price leader in the case of independent action would face a more inelastic demand curve than would the price follower. The greater inelasticity of demand arises from the fact that in the case of independent action by the price leader, unlike the case of the price follower, there

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11) In the analysis of the shifting of sales taxes under price leadership and under the policy of playing safe, I am indebted to Tibor Scitovsky, whose excellent treatment of market behavior under these two forms of ologopoly I have adapted to my analysis. *Op. cit.*, Ch. 17, sec. 3. There is no attempt in my study to make a contribution to oligopoly theory as such.

12) *Ibid.*, p. 387.

13) An analysis of the effects of discriminatory sales taxes under oligopoly is important for tax policy in the United States since either the imposition of a sales tax or an increase in its rates by only one of the forty-eight states might affect only one or only a relatively few of the firms of an oligopolistic industry.

would be price interdependence. This means, of course, that the price leader would be less reluctant to change output and price because of a given sales tax than would a pretax price follower. In other words, it would require a higher tax to produce tax shifting in the case of the pretax price follower than in the case of the price leader.

Price interdependence is the factor which causes a discriminatory sales tax upon a price leader, unlike such a tax on a price follower, to produce effects upon prices and outputs which are identical to those produced under single monopoly by an industry-wide sales tax of equal height or rate.

The policy of playing safe.

The policy of playing safe is appropriate under conditions in which the individual producer cannot foresee the effect of a change in his price policy upon his profits because of his uncertainty concerning the effect on the price policy of his competitors. Scitovsky has shown that in this case the producer who desires to play safe and adopt the policy that threatens the smallest loss of profit, should increase his price. 14)

In such a situation the tendency to increase price would be strengthened by the imposition of an industry-wide sales tax. Since the tax would affect every producer in the industry, it is reasonable to believe that this common marginal-revenue-reducing factor (or marginal-cost-increasing factor) would result in an increase in the prices of joint products by every firm in the industry. Under these conditions the effect of an industry-wide sales tax upon outputs and prices of joint products would be the same as those of a like tax in the case of price leadership.

If the tax were levied upon only one individual firm, however, the taxed firm would be less certain of a price increase by its competitors. But even here the taxed firm's reason for a price increase would be stronger than in the nontax case presented by Scitovsky. 15 A discriminatory sales tax would cause the taxed producer to increase the prices of his joint products more than he would have done in the absence of the tax. He would not, however, increase prices as much as he would have done in the face of an industry-wide tax since price interdependence would be less likely in the case of a discriminatory tax.

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14) *Op. cit.*, pp. 390-92.

15) *Ibid.*

The kinked demand curve.

The treatment of the shifting of sales taxes in the case of the kinked demand curve requires an individual analysis of each of the distinct cases outlined below.

A. The tax is levied upon every producer in the industry:
  1. where the marginal revenue of joint product 1 (the cheaper product), MR_1, is a positive magnitude at every rate of output to the left of the rate of output at which the marginal joint cost curve, MJC, passes through the gap in the total marginal revenue curve, TMR;
  2. where MJC intersects TMR and TMR, net of tax, TMRt, to the right of the rate of output at which marginal revenue of joint product 1 becomes zero.

B. The tax is levied upon only one firm: 16)
  1. where the marginal revenue of joint product 1 (the cheaper product), MR_1, is a positive magnitude at every rate of output to the left of the rate of output at which the marginal joint cost curve, MJC, passes through the gap in the total marginal revenue curve, TMR;
    a. where MJC passes through the gap in TMR and in TMR, net of tax, TMRt;
    b. where MJC passes through the gap in TMR, but is intersected by TMR, net of tax, TMRt;
  2. where MJC intersects TMR and TMR, net of tax, TMRt, to the right of the rate of output at which marginal revenue of joint product 1 becomes zero;
    a. where MJC passes through the gap in the marginal revenue curve of joint product 2 (the more expensive product), MR_2 and also MR_2, net of tax, MR_2t;
    b. where MJC passes through the gap in MR_2, but is intersected by MR_2t.

Case A-1.

Since the tax is on every firm in the industry in Case A-1, it will cause a common and simultaneous tendency for producers to raise prices to a figure at which profits, net of tax, will be maximized. Now this simultaneous increase in prices substitutes a condition of price-interdependence for one of non-price-interdependence over a range of price increases and output decreases induced by the tax. This substitution unkinks the demand curves and closes the gaps in the marginal revenue curves of the joint products. The

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16) The possible significance of discriminatory sales taxation in the case of oligopoly was pointed out in footnote no 13.

individual seller now faces average and marginal revenue curves which are qualitatively indentical with those under conditions of monopoly. These conditions are represented in Figure 2. From this it follows that the diagrammatic solution of the problem of tax-price relationships in Case A-1 must be made in terms of Figure 2.

An examination of Figure 2 reveals the fact that in Case A-1 an industry-wide sales tax under joint costs will cause a decrease in the rate of output and an increase in price of each of the joint products. These tax-induced changes in output and price in the case of the firm represented in Figure 2 are qualitatively representative of the tax-induced changes which are made by every firm in the industry. 17)

Case A-2.

Since the sales tax in this case, as in Case A-1, applies to the entire industry, it will unkink the average revenue curves and close the gaps in the marginal revenue curves as it did in Case A-1, and for the same reasons.

The unkinking of the pretax average revenue curves produces a diagram which is qualitatively identical to Figure 3. Since the diagrammatic solution of Case A-2 follows Figure 3, it can be said that the industry-wide sales tax causes: (1) a decrease in the rate of sale and an increase in the price of joint product 1; and (2) a decrease in the rate of production and sale and an increase in price of joint product 2.

Case B-1a.

This case in the preceding outline is illustrated in Figure 4 by MJC_1. There MJC_1 passes through the gap in TMR at an abscissa equal to OF and thereby establishes OF as the firm's pretax equilibrium rate of output. With AR_1 as the demand for joint product 1, the price of this product at OF rate of output is OP_1; and at this price there is the characteristic kink in AR_1. With AR_2 as the demand for joint product 2, the price of this product at OF rate of output is OP_2; and at this price there is a kink in AR_2.

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17) It should be pointed out in connection with the Case A-1 that, after firms have established post-tax prices and outputs at which profits, net of tax, will be maximized in the face of the unkinked average revenue curves, a new kink occurs in the post-tax average revenue curve of joint product 1 and 2 at an abscissa equal to the abscissa of their post-tax rate of output. The post-tax average revenue curves will be flatter to the left than to right of the post-tax kinks. This is true since the influence of the common factor, the tax, which produced price-interdependence within the range of output FFt, does not exist for rates of output which are less than OFt.

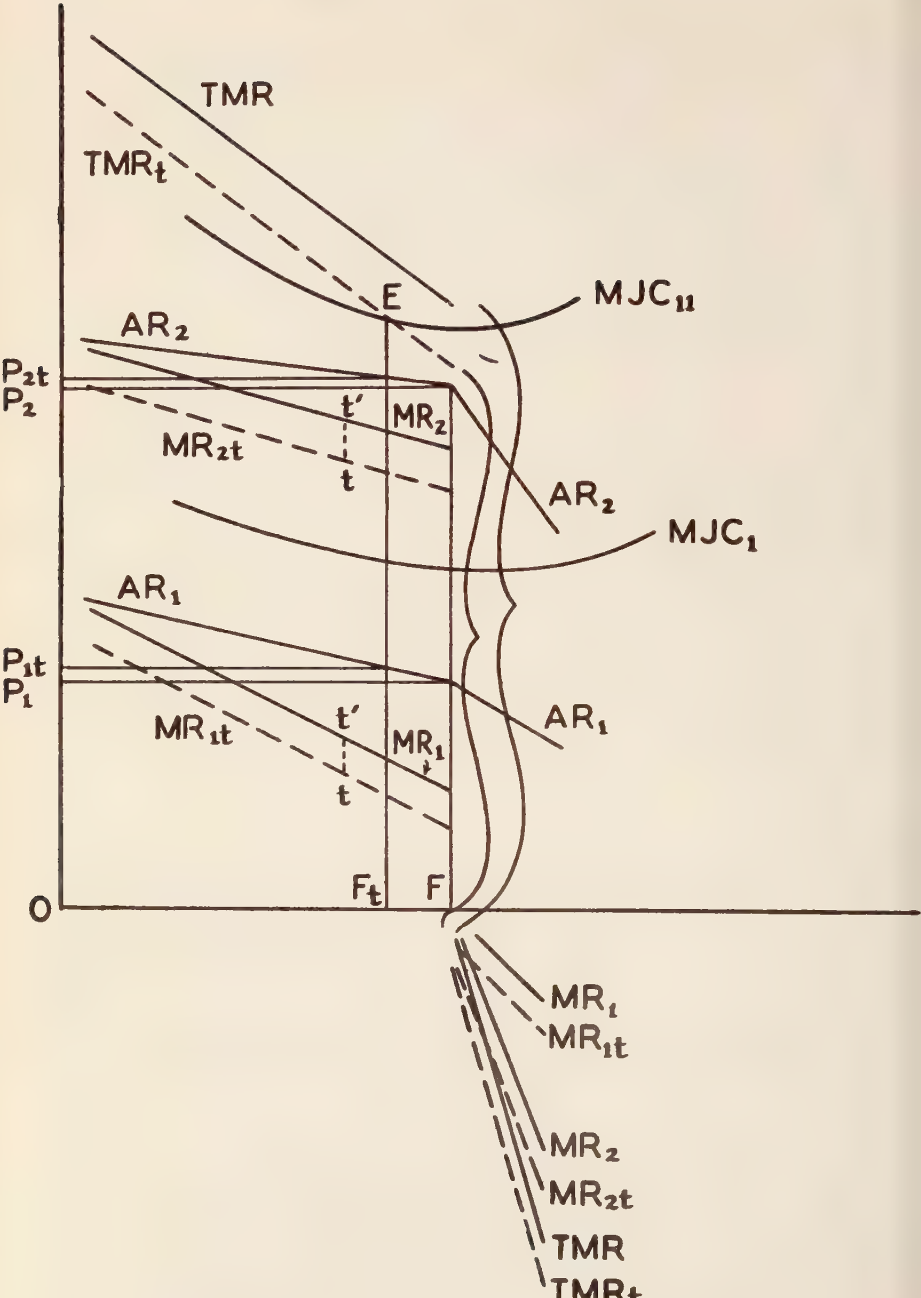
TMR
TMR$_t$
E
MJC$_{11}$
AR$_2$
P$_{2t}$
P$_2$
t′
MR$_2$
MR$_{2t}$
t
AR$_2$
MJC$_1$
AR$_1$
P$_{1t}$
P$_1$
t′
MR$_{1t}$
MR$_1$
t
AR$_1$
F$_t$
F
O
MR$_1$
MR$_{1t}$
MR$_2$
MR$_{2t}$
TMR
TMR$_t$

FIGURE 4

The imposition of a specific sales tax of an amount, say, tt′, on each of the joint products reduces MR_1 and MR_2, net of tax, to MR_1t and MR_2t, respectively. TMR, net of tax, is TMRt. Since MJS_1 passes through the gap in TMRt at the pretax equilibrium rate of output OF, there is no change in either the rate of output or the price of either of the joint products.

Case B-1b.

This case is illustrated in Figure 4 by MJC_{11}. Like MJC_1 in Case B-1a, MJC_{11}, before tax, passes through the gap in TMR at output OF. Therefore, the pretax price is OP_1 for joint product 1 and OP_2 for joint product 2. Unlike MJC_1 however, MJC_{11} is intersected by TMRt. The abscissa of this point of intersection establishes the post-tax equilibrium rate of output, OFt. This reduction in rate of output from OF to OFt causes an increase in the price of joint product 1 frmo OP_1 to OP_1t and an increase from OP_2 to OP_2t in the price of joint product 2. 'The extend of the decrease in the rate of output and in the increase in price of each of the joint products is, of course, a function of the height of the tax and the slope of AR_1, AR_2, and MJC_{11} within the relevant range.

Case B-2a.

Thise case is illustrated by MJC_1 in Figure 5. There MJC_1 passes through the gap in MR_2 and in MR_2, net of tax, MR_2t, at an abscissa equal to OK, and thereby establishes OK as the firm's pretax equilibrium rate of output. At this output the marginal revenue from joint product 2 *alone* is equal to the marginal joint cost of the Kth unit of output of joint products. At any output greater than OK, however, MR_2 is less than MJC_1. If the marginal revenue from joint product 2 is not permitted to be decreased by the negative marginal revenue from joint product 1, the producer will maximize profits by producing at the rate of output at which MJC_1 passes through the gap in MR_2. This requires, in terms of Figure 5, that outputs of joint product 1 greater than OF be held off the market. The pretax equilibrium condition is one, therefore, in which the rate of output is OF and price is OP_1 for joint product 1 and rate of output is OK and price is OP_2 for joint product 2.

The imposition of a specific sales tax of an amount, say, tt′, on each of the joint products of a single firm reduces MR_1 and MR_2, net of tax, to MR_1t and MR_2t, respectively. TMR, net of tax, is TMRt. Since MJC_1 cuts TMRt to the right of the output at which the marginal revenue of joint product 1, net of tax, becomes zero, and since it also passes through the gap in MR_2t at an abscissa

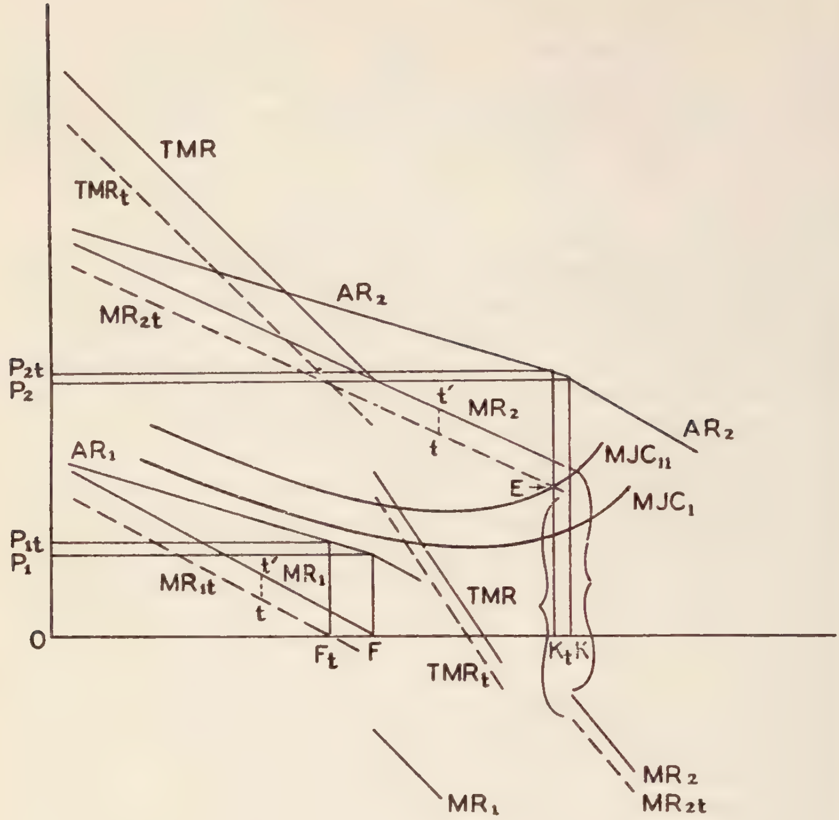

FIGURE 5

equal to the pretax rate of output OK, there is no change in either the rate of output or in the price of joint product 2. In the case of joint product 1, however, there is a decrease in rate of sales from OF to OFt and an increase in price from OP_1 to OP_1t. These changes occur because the marginal revenue of joint product 1, net of tax, MR_1t, is lower at each output than MR_1 by an amount equal to the tax. MR_1t becomes zero at output OFt, which is, of course, a lower rate of output than OF. The lower output, OFt, sells for price OP_1t, which is higher than the pretax price OP_1. 18)

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18) If an ad valorem instead of a specific sales tax had been imposed and in conformity with Case B-2a, no change would have taken place in the volume of sales or price of joint product 1. For the reasoning in support of this statement, see footnote 7.

Case B-2b.

This case differs in only one respect from Case B-2a. In Case B-2b, unlike Case B-2a, the marginal joint cost curve does not pass through the gap in MR_2t, but is intersected by MR_2t at point E in Figure 5. The equality of MJC_{11} and MR_2t at point E establishes the post-tax equilibrium rate of output for the firm at OKt. The tax-induced reduction in output from OK to OKt causes an increase in price of joint product 2 from OP_2 to OP_2t. In Case B-2a, it will be recalled, the tax caused no change in either the rate of output or price of joint product 2.

In the case of joint product 1, the effects of the tax are qualitatively and quantitatively identical for the same firm in Case B-2a and Case B-2b. In each case the specific sales tax, tt', causes a reduction in the rate of sales of joint product 1 from OF to OFt and an increase in its price from OP_1 to OP_1t.

IV.

CONCLUSIONS

The analysis of the shifting of sales taxes in the short-run period under conditions of joint costs and fixed proportions leads to the following general conclusions: 19)

1. The tax produced each of the following results in one or more of the cases studied:

a. No change in either the rate of output or in the price of either of the joint products.
b. A decrease in the rate of output of the joint products, but no change in the price of either.
c. A decrease in the rate of output and an increase in the price of the more expensive product, but no change in either the rate of sale or the price of the cheaper product.
d. A decrease in the rate of sale and an increase in the price of the cheaper product, but no change in either the rate of output or the price of the more expensive product.
e. A decrease in the rate of output and an increase in the price of each of the joint products. [20]

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19) Throughout this study only the effect of the extraction of the tax revenue, and not the effect of the governmental expenditure of such revenue, has been considered.

20) The effects given under *e* are, of course, the effects which have been found by the coventional short-run analysis of sales tax-output-price relationships in the case of nonjoint products.

2. The conclusions concerning the effect of a partial sales tax on joint products are more varied and complex than the conclusions of the conventional analysis of sales tax-output-price relationships in the case of nonjoint products.

3. There is a marked difference between the qualitative results in the case of a partial sales tax on a single firm and on a single industry in the case of pure competition and under the oligopolistic cases of price leadership and the kinked demand curve.

4. Partial sales taxes upset the balance of economic attractiveness between the production of the taxed and the untaxed commodities in favor of the production of the latter. They cause, therefore, a decrease in the rate of output of taxed products. 21) Resources are released from the production of taxed products and are shifted to the production of untaxed products. This shift continues until marginal returns in the untaxed field are equal to marginal returns, net of tax, in the taxed field. 22) If the taxed industry were a relatively large one, the magnitude of resource reallocation would be appreciable.

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21) This would not be true if the demand for the taxed products were absolutely inelastic. In that case the incidence of the tax would be wholly on the buyers and there would be no tax *pressure* on the seller.

22) This shift would not take place, of course, in the short-run period in the case of resources in the form of fixed plant or equipment.

EFFET DES MODIFICATIONS DE LA TAXE SUR LES VENTES DANS LE CAS DE PRODUITS COMPLEMENTAIRES

PAR LE PROFESSEUR ELMER D. FAGAN

RESUME

Le but de cette étude est l'analyse par des diagrammes, de l'effet à court terme des modification de la taxe sur les ventes, dans le cas où chacun des produits complémentaires étudiés est produit dans un rapport déterminé [1]).

L'analyse mène aux conclusions générales suivantes:

1. La taxe produit chacun des résultats suivants, dans un ou plusieurs des cas étudiés:
    a. aucune modification du taux de production ni du prix de l'un ou de l'autre des produits complémentaires;
    b. une diminution du taux de production des produits complémentaires sans que le prix de l'un ou de l'autre de ces produits ne soit modifié;
    c. une diminution du taux de production et une augmentation du prix du produit le plus cher, sans que soient modifiés ni la taxe des ventes ni le prix du produit le moins cher;
    d. une diminution du taux de vente et uné augmentation du prix du produit le moins cher, sans que soient changés ni le taux de production ni le prix du produit le plus cher;
    e. une diminution du taux de production et une augmentation du prix de chacun des produits complémentaires.

2. Les conclusions concernant les effets que produit une taxe sur les ventes non généralisée sur des produits complémentaires sont plus variées et plus complexes que celles que fournit l'analyse

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[1]) Les hypothèses fondamentales sur lesquelles sont basés les raisonnements et conclusions contenus dans le présent article sont : 1) concurrence parfaite, monopole et oligopole (hypothèses envisagées respectivement dans les chapitres I, II et III). 2) à court terme. 3) rapport fixe. 4) Fonction d'une demande globale constante. 5) L'élasticité réciproque de la demande de ces produits complémentaires n'a aucun effet quant à leur production ou leur prix. 6) Prix constant des facteurs de production. A ces hypothèses s'en ajoute une septième de moindre importance : Chaque producteur considère que la taxe est permanente. Afin de rendre l'analyse plus aisée, nous n'envisageons au cours de notre étude que deux produits complémentaires et nous admettons qua la fonction de la demande de ces produits est linéaire. La technique d'analyse qui convient quand il s'agit seulement de deux produits complémentares, convient également lorsqu'il s'agit d'un nombre quelconque de produits.

classique des rapports existants entre la taxe sur les ventes, la production et le prix, dans le cas de produits non complémentaires.

3. Il existe une différence prononcée entre résultats qualitatifs obtenus en cas d'application d'une taxe sur les ventes non généralisée à une seule firma et à une seule industrie, en régime de concurrence parfaite et dans les régimes oligopolistiques de prix dirigés et la courbe représentative d'une demande très irrégulière.

4. L'application de taxes sur les ventes non généralisée dérange l'équilibre qui existait entre l'intérêt à produire, du point de vue économique, les produits actuellement taxés et ceux qui ne le sont pas. Pour ce motif, ce genre de taxes provoque une diminution du taux de production des produits taxés. Des facteurs de production sont dirigés de la production de produits taxés vers celle de produits non taxés. Ce déplacement se produit jusqu'à ce que les profits marginaux des produits non taxés soient égaux à ceux des produits soumis à la taxe sur les ventes, après déduction de celle-ci. Si l'industrie taxée est relativement importante, le volume des facteurs de production déplacés est appréciable.

DIRECT TAXES IN JAPAN AND THE SHOUP REPORT

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I.

THE REFORM OF THE JAPANESE TAX SYSTEM.

The feudal system which lasted in Japan for centuries was abolished by a revolution at the middle of the nineteenth century, and the new era, a capitalistic order, was opened. This brought about great changes in the social and economic conditions of Japan. The tax system, answering to the new situation, has gradually come to assume a modern form. The new government, set up in 1867 after the revolution, started the tax reform by introducing, among other things, a land tax in cash to replace the old feudal tax in kind. By constant, strong and continued effort a modern tax structure was established by the end of the nineteenth century. From that time to the present, our tax system has been revised in keeping with the progress of political, social, and economic conditions. Among these revisions, the most important are the reforms carried out in 1926 in accordance with the change of national economy after World War I; in 1940 with the object of financing World War II; in 1947 in response to the enforcement of the new constitution; and finally in 1950 by reason of the Shoup recommendations.

In April, 1949, a mission, headed by Dr. Shoup, Professor at Columbia University, visited Japan at the request of the Supreme Commander for the Allied Powers, and stayed here about four months. After investigating the Japanese tax system and its social and economic background, they presented to SCAP "*The Report on Japanese Taxation by the Shoup Mission*" in August, 1949. In August, 1950, the Mission paid a second visit to Japan, and in September of the same year they made public the "*Second Report*", which was a supplement to the first report. Upon these recommendations, the Japanese government reorganized the entire system of national and local taxes and it went into force in April, 1950.

The Shoup Report containing new and advanced views long cherished by Shoup, Vickrey and other fiscal experts, was generally considered to be very theoretical, and logically consistent. It is true that the Report had an epoch-making significance in the history of Japanese taxation and its outstanding contribution to Japanese politics could not be overestimated. I take this opportunity to point out, however, that some of the proposals, e.g., the net worth tax etc., had long been maintained by specialists of Japan, but owing to the lack of political influence, they could not be put into practice. Moreover it must be added that some of the recommendations, in spite of the Mission's earnest efforts, were criticized as too theoretical to be carried out at the present stage of socio-economic development in Japan. Judging from the development of tax reforms these last three years, Japanese taxation is showing a tendency to restore the old system which was in effect before the Shoup recommandations.

In this paper I shall attempt to give a brief explanation of the past and present systems of direct taxes in the national government of Japan and to indicate the character of recent amendments. The whole field of national and local taxes is to be covered in this writing, but the space being limited, national direct taxes will be treated here. 1)

II.

AN EPITOME OF THE NATIONAL TAX REVENUE OF JAPAN

Before entering into the details of our tax system, I shall describe in brief the historical change and present state of the tax receipts of Japan.

From the time of the political revolution at the middle of the last century to the beginning of this century, agriculture being the basic industry of national economy, the land tax occupied the main part of the natinal tax system. From 1867 to the time of the Sino-Japanese War (1894-1895), annual revenues from the land tax amounted to between 50 and 90 per cent of the total national taxes. Since the end

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1) This article is a summery of what I have mentioned in my books and other papers in the Japanese language. My opinion is expressed in most comprehensive form in the testimony which I gave at Diet hearings on the Bills of Budget and Tax Reform before: (1) The Finance Committee, House of Representatives, February 17, 1951; (2) The Finance Committee, House of Councillors, February 27, 1951; (3) The Local Administration Committee, House of Representatives, March 9, 1951; (4) The Finance Committee, House of Representatives, October 31, 1951; (5) The Finance Committee, House of Representatives, Febrary 22, 1952; (6) The Finance Committee, House of Councillors, March 11, 1952; (7) The Budget Committee, House of Councillors, December 8, 1952; (8) The Finance Committee, House of Councillors, December 9, 1952. This material can be found in the Proceedings of the Diet Committees.

It is to be remarked that this study is based upon my article "Japans öffentliche Finanzen 1931-1952" in *"Finanzarchiv"*, Band 13, Heft 4, October, 1952, which gives an outline of Japanese public finance in the past twenty-two years, from September, 1931, the time when the Manchurian Incident broke out, to April, 1952, the time when the Peace Treaty came into effect. The facts and figures concerning the national revenues and expenditures and the position of taxes in Japanese public finance of this period may be found in this treatise.

of the last century, the land tax declined in importance for government finance even though it stood at the top for national tax revenue until 1908. From that time on liquor tax became first on the list of tax receipts. Income tax was enforced as a national tax in 1887, but at the start, revenue from this tax was very insignificant. It was after World War I when Japanese economy made such rapid progress that personal and corporate income tax acquired a greater importance in the Japanese tax system. About those days, this tax began to compete against the liquor tax for the top place in national revenue and at last, in 1935, it won the position. From then until now the yield from income tax (personal and corporate income tax) has remained the largest. In the budget of recent years annual yields from this tax have amounted to more than 55 cent of the total of national tax revenue. At present, major sources of revenue for the

Table I National Taxes (in millions of yen; 1 dollar = 360 yen

Names of Taxes	1949 (result)	1950 (result)	1952 (estimate)	1953 (estimate)
Personal Income Tax	278,856	220,134	260,094	267,138
Corporate Income Tax . . .	61,264	83,790	187,991	170,160
Net Worth Tax	—	516	1,119	851
Inheritance Tax	3,969	2,694	2,028	3,216
Revaluation Tax	—	6,403	10,573	13,651
Transactions Tax	33,707	—	—	—
Tax on Bank Note Issue . . .	—	6	—	—
Securities Sales Tax	733	—	—	1,288
Liquor Tax	83,329	105,376	137,929	146,221
Soft Drinks Tax	1,657	—	—	—
Sugar Tax	1,093	749	19,144	30,253
Textile Tax	13,383	—	—	—
Gasoline Tax	4,354	7,372	13,592	18,684
Commodity Excises	20,834	16,500	19,764	22,183
Traveling Tax	4,828	1,079	1,667	2,401
Customs Duty and Tonnage Duty	901	1,626	17,223	22,728
Old taxes replaced and minor taxes	283	941	165	200
Revenues from Stamps (Stamp Duty, Registration Tax, Fees, etc.)	8,981	9,208	14,037	17,132
Monopoly Profits	117,894	113,822	13,500	143,397
Total of the National Taxes (A)	636,068	570,214	815,826	859,495
Total Revenues of the General Account (B)	758,612	716,793	932,536	968,284
$\frac{A}{B}$	83.8 %	79.6%	87.5%	[illegible]
Direct Taxes	344,374 (54.1%)	313,625 (55.0%)	461,805 (56.6%)	[illegible] (52.1%)
Indirect Taxes	291,694 (45.9%)	256,589 (45.0%)	354,021 (43.4%)	[illegible] (47.9%)
Total	636,068 (100%)	570,214 (100%)	815,826 (100%)	859,495 (100%)

natinal government are personal income tax, corporate income tax, liquor tax and monopoly profits from tobacco.

The names of the Japanese national taxes and their receipts, including profits from the tobacco monopoly, in budgets of the latest fiscal years (the fiscal year begins on 1 April and ends on 31 March of the next year) are shown in Table I.

Table II indicates the relations between national income and the receipts from natonial and local taxes[2] in recent years, in comparison with that in the fiscal years shortly before the China Incident which broke out in July, 1937.

Table II Tax Burden and National Income (in millions of yen)

	Average of 1934, 1935 & 1936	1949	1950	1952	1953
National Taxes . . .	1,226	636,068	570,214	815,826	859,495
Local Taxes	629	142,441	188,281	293,460	304,747
Total (A)	1,855	778,509	758,495	1,109,286	1,164,242
National Income (B)	14,502	2,884,400	3,683,900	5,368,000	5,820,000
$\frac{A}{B}$	12.8 %	27.0 %	20.6 %	20.7 %	20.0 %

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[2] The local public bodies of Japan consists of forty-six prefectures and nearly ten thousand municipalities. Their tax system was formerly made up of the independent tax and the surtax, but on the Shoup recommendations, the surtax was repealed in 1950, and the independent tax alone is now in effect. The present local taxes and estimated revenues in million yen for the fiscal year 1953 (figures in parentheses) are as follows:-

The Prefectural Taxes

The Enterprise Tax, imposed on the profits of commerce and industry and *the Special Income Tax,* on the incomes of liberal professions (81,381); *the Admission Tax,* on the visitors to the theater, etc. (20,284); *the Amusement, Eating and Drinking Tax* (17,507); the other minor taxes (5,395). The total revenue from prefectural taxes (124,567) is 26 per cent of the total prefectural receipts (477,000).

The Municipal Taxes

The Property Tax, on land, building and depreciable business assets (80,862); *the Inhabitant's Tax,* consisting of the tax on income and the poll tax (77,082); *the Electricity and Gas Tax* (14,321); the other minor taxes (7,915). The total revenue from municipal taxes (180,180) is 49 per cent of the total municipal receipts (365,000).

Both prefectural and municipal taxes added together amount to 304,747 million yen.

The enterprise tax and special income tax in prefectures are substitutes for *the value-added tax,* and are expected to be repealed when the value-added tax is brought in force. This tax was enacted as a prefectural tax in 1950, but the date of enforcement has been postponed more than once. The tax is scheduled to take effect on 1 January, 1954. However, owing to

In Table III, tax burden and national income per head after the war are compared with those before the war. The amounts of post-war period are converted into the pre-war value af money by the use of an index number of the wholesale price.

Table III Tax Burden and National Income Per Head (Average of 1934-36 = 100)

	Average of 1934, 1935 & 1936	1949	1950	1952	1953
National Taxes . . .	100	193	159	180	183
Local Taxes	100	87	105	129	132
Total	100	158	141	163	166
National Income . .	100	75	88	102	104
Price Index	100	20,876	24,680	34,935	35,343 (July)

Of the present Japanese national taxes, those which can be taken as direct taxes are personal income tax, corporate income tax, net worth tax, inheritance tax and revaluation tax, among which the most important from a fiscal standpoint are the personal and corporate income taxes. Other direct taxes, i.e., net worth tax, inheritance tax, and revaluation tax, although their revenue contributions are relatively minor, have nevertheless theoretical significance, so far as tax structure is cencerned. Now I shall give a description and clarify the points at issue concerning these direct taxes.

III.

THE HISTORY OF THE JAPANESE INCOME TAX.

It was in 1887 that the income tax was established in Japan as a national tax. The tax was levied on individuals with annual income of 300 yen and over at a graduated rate ranging from 1 % to 3 %. Corporations, as well as natural persons with annual income of less than 300 yen, were exempted. By amendment in 1899, the

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stubborn resistance of the taxpayers, expecially of those large enterprisers whose burdens are expected to be enhanced, it is doubtful whether or not it will ever be put into practice. As for the value-added tax, refer to my English article, "The Value-Added Tax in Japan", in *"Annals of the Hitotsubashi Academy"*, vol. 1, no. 1, published by Hitotsubashi University, Tokoyo, October, 1950. The Spanish text of this article (translated by Herminia Ramón) appeared in a Mexican economic journal, *"El Trimestre Económico"*, Vol. XVIII, no. 2, April-June, 1951.

The local tax based on the Shoup Report has been the subject of animated controversy, which I shall discuss at another opportunity. In this treatise I shall be mainly concerned with national taxes.

tax has come to be imposed on the income of corporations, and the object of tax was classified into three categories mentioned below. This system of classification lasted until 1939, of course with occasional revisions to adapt them to the social and economic development of this country. The basic features, however, remained unchanged throughout the period.

Category I — the income of corporations.

Category II — the interest of deposits, public loan bonds and debentures.

Category III — the individual incomes other than Category II.

Category I, i.e., the income or the net profit of corporations, was at first taxed at a proportional rate, but after several years' experience, it gave place to progressive rates. The tax on the Category II, i.e., the interest of deposits, public loan bonds and debentures, was collected at the source at a flat rate, whereas to Category III, i.e., the individual income which includes all personal incomes other than interest, the progressive tax was applied. The reason for special treatment being given to Category II was to encourage capital savings by reducing the tax burden.

The China Incident broke out in July, 1937. Since that time the financial and economic structure of Japan has gradually undergone a marked change and international political relations have become serious. Because of the urgent necessity of increasing the government revenue, the whole system of the national and local taxes was reformed in 1940, the income tax, of course, among the rest. By this revision, classification of income into three categories was abolished, and a new personal income tax and a corporation tax was introduced. This system remained in force with some amendments until 1947, when a substantial reform was made in accordance with the recommendation by SCAP. The old system prior to this reform may be called the income tax during the war. As it is generally believed that this scheme had characteristics worthy of note, I shall give an outline of this institution, chiefly that of personal income tax, as it was up to 1946. The corporation tax will be explained elsewhere in this article.

The personal income tax then in force was similar to that in Britain and France. It consisted of two taxes: the classified income tax and the general or integrated income tax. In the classified income tax, the income was classified into eight categories: (1) earned income, (2) income from business, (3) dividend and interest, (4) income from real estate, (5) forestry income, (6) retirement allowance, (7) income from speculation (income from dealings in futures on the stock exchange), 8) capital gains. These incomes were taxed separately, the withholding method being employed as far as possible. As for regular incomes, viz., earned income, business income, dividend and interest, and real estate income, they were taxed by flat rates. However, the rate varied according to the type of incomes. It was higher on unearned incomes, lower on earned incomes, and mean on business profits. On the contrary, the progressive tax was imposed on irregular incomes, viz., forestry income, retirement allowances, income from speculation, and capital gains, but they were excluded from the general income tax base. The general income tax was imposed, in addition to the classified income tax, upon those whose sum total of regular incomes obtained in the preceding year exceeded 10,000 yen at the progressive rate.

In 1947, the new constitution was put into force, and the income tax, together with other taxes, responding to the change of political and economic conditions after the war, was reformed on the recommendation of SCAP. The classified income tax was replaced, and the general income tax alone remained operative, the base of which was the sum total of all incomes, both regular and irregular without distinction, obtained by individual taxpayers. Considering the special character of the irregular income, half the sum was excluded from the tax base. By this revision in 1947, the Japanese system approached that of the federal income tax of the United States.

Next came the reform in 1950, which was based upon the Shoup Report of 1949. It is to be remembered that this new system, based as it was in the main on this report, was not exactly the same as those recommended by the Mission. In order to adapt to the actual state of things in Japan, adjustments were necessary even at the outset of its enactment. Thereafter, some minor amendments have yearly been made to meet the needs of current conditions. Now I should like to describe in brief the present system effective in July 1953.

IV.

THE PRESENT SYSTEM OF PERSONAL INCOME TAX

1. *Tax Payer*

The individual person who has a domicile in Japan, or who has a residence there longer than a year, is taxed on the total incomes whether its source is domestic or foreign. Non-domiciliaries and non-residents should pay taxes only on incomes earned or received in Japan.

2. *Object or Base of Taxation.*

The object of taxation is the total receipts during the current calender year of nine types of income, (a) to (i), each of which is computed by the method mentioned below. As to the retirement allowance, in view of the special nature of this income, a special and separate treatment is admitted and will be explained below.

(a) Interests.

Receipts of interests on public loan bonds, corporate debentures, deposits, and profits of joint operation trusteeship.

(b) Dividends of profits.

Profits received from a corporation, from which is deducted interests on the liabilities necessitated for the acquisition of stocks, etc.

(c) Earned incomes.

The total receipts of salaries, wages, annuities, pensions, bonuses, and other allowances of a similar nature (including remunerations in kind), from which is deducted 15 per cent thereof, or 45,000 yen, whichever is less.

(d) Incomes from real estate, (e) Incomes from business, (f) Forestry incomes, (g) Capital gains, (h) Non-recurrent incomes, (i) Other miscellaneous incomes. As to these incomes, the total receipts of gross income from which necessary expenses are deducted are taxable bases.

Forestry incomes, capital gains, and non-recurrent incomes are irregular in their nature, and 100,000 yen is deducted from the total receipts of these incomes, in computing the taxable base of an individual. 3)

The sum total of all income in the year, determined by the steps outlined above, represents the gross income of every individual taxpayer. Formerly, incomes of co-living family members were added together for purpose of taxation in accordance with family-centralism once prevailed in Japan, but this system was repealed in 1950, and the present method has come to be in force.

(j) Retirement allowances.

This income is separated from other types of income and taxed independently. The tax base is determined by subtracting the basic exemption of 150,000 yen and 50 % of the remainder, from the year's total of this income. Graduated rates of the same scale as that in case of other types of income are applied to this base. 4)

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3) In the new system enacted in 1950, based on the Shoup Report, both regular and irregular incomes had been taxed indiscriminately, no special exemption being allowed for irregular incomes. This deduction mentioned above was introduced in the reform of 1952. This means no other than the return to the old system prior to the Shoup Recommendation.

4) This irregular income, in the system of 1950, was treated, as a rule, practically in the same way as ordinary earned income, such as salaries, etc., and the deduction of 15 per cent of retirement income was allowed. Against this method, objection was voiced to the effect that the tax burden on this type of income was unreasonably heavy, because of the application of a graduated rate on the lump sum payment, in spite of the fact that

3. *The Deduction of incomes.*

Certain deductions are made from gross receipts to arrive at taxable net income. The more important of these exclusions from gross income are:

(a) The Basic exemption.

60,000 yen per annum is deducted from the income of every taxpayer.

(b) Allowances for dependents.

The amount varies according to the number of dependents, being 35,000 yen for the first dependent, 20,000 yen for each of the second and the third, and 15,000 yen for each of the fourth and following dependents.

(c) Social insurance premium.

The total amount paid during the year is deducted.

(d) Medical expenses, (e) Net loss from fire, theft, or other casuality, (f) Life insurance premiums paid.

As for these three categories, the maximum limit on the amount of deductions allowable is defined by law.

4. *Calculation of taxable net income.*

After these deductions from gross income are made, the remainder is net income, which is taxed by the following graduated rate of bracket system:

0	—	20,000 yen	15 %
over		20,000 yen	20 %
,,		70,000 yen	25 %
,,		120,000 yen	30 %
,,		200,000 yen	35 %
,,		300,000 yen	40 %
,,		500,000 yen	45 %
,,		1,000,000 yen	50 %
,,		2,000,000 yen	55 %

The maximum rate of 55 % is relatively low compared with that of 85 % in the old system in force till 1949. It is to be noticed, however, that the net worth tax was introduced in 1950 as a new measure to impose an additional burden on the upper income brackets.

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retirement allowances were to be considered as the reserve for the existence of life in old age. It was true that this income could be averaged forward over five years, if the taxpayer applied, in order to keep him from being unfairly pushed up into the higher rate brackets, but the complexity of procedure prevented the general use of this measure. In 1952, the system, as it is now constituted, was introduced, which means a partial restoration of old system in effect prior to the Shoup Reform.

5. *Special deduction of tax.*

Further credits or allowances are granted to such persons as the physically incapacitated, the aged above 65, widows, and students who work to support themselves. They are allowed an extra personal exemption of 4,000 yen, calculated, not in terms of income, but in terms of tax. The ground for this step is to make the value of the exemption the same for all taxpayers, because the amount deductible in terms of tax would be raised with the increase of income, under the alternative system, by reason of the progressive rate.

6. *Special treatment of dividend incomes.*

(1) With a view to alleviating the burden caused by double taxation of personal and corporate income tax, 25 per cent of the dividend income is credited against the tax liability as additional deduction. (2) In case the amount of dividends at liquidation at the time of dissolution of corporation exceeds the value of the acquisition of stocks or paid-in capital, the excess amount equal to the reserve fund is treated as dividend income and the remainder, if any, as capital gains for the purpose of taxation.

The above is an outline of the income tax system. Besides these, there are several minute and detailed provisions concerning facts such as, the integrated calculation of profits and losses, carrying-over for three years and carrying-back for one year of net losses, depreciation of business assets, inventory accounting, reserves against bad debts and an equalization fund against price-fluctuation, averaging method for fluctuating incomes, etc., about which I will not give an explanation in this treatise.

7. *Payment.*

The methods of collection at the source and self-assessment are both in practice.

The withholding tax is applied to the following types of income at these rates: (1) Interest and dividends — 20 %; (2) Earned income and retirement allowances — rates vary according to the amount of the income; (3) Remunerations for writings, cuts, compositions, recordings, royalties for copyrights, fees for lectures, etc. — 15 %; (4) Remunerations or payments to actors, lawyers, chartered public accountants, canvassers, bill collectors or labourers of a similar nature, and medical fees of social insurance, etc. — 10%.

Self-assessment is in operation in the case of other types of income. In Japan prior to the revision of 1947, the income tax return was filed by the taxpayer on the income of the preceding calender year, on which the tax was assessed and payment was made in equal quartely installments. This meant that payment of the tax on the income of a given year, was made during the following year. The convenience of administration was the advantage of this procedure. The disadvantages, however, came to light during the period of inflation after the war, when those taxed by this method were favoured by delayed tax payment on the previous year's income because money values depreciated so rapidly. This was a marked contrast to the situation when moneys were collected by the withholding method at the time the income was realized. These conditions, among other things, required the introduction of the new system of self-assessment and current payment in 1947. According to the present provision, the individual is to file in July a provisional return based on an estimate of income for the current year. The provisionally declared taxes are then divided into three equal parts and installments are paid in July, November and February. The final return is filed in February of the succeeding year and the tax determined is based on the actual income received. Balances of overpayment or underpayment, taking into account of the tax withheld, is adjusted by a refund or an additional tax.

This is the current status of the personal income tax in Japan.

V.

THE CORPORATE INCOME TAX

With regard to the nature of a legal person or corporation and the form of taxation on its income, there stand two competing views. One of them takes a corporation as a separate, independent entity, having a collective personality of its own or an economic unit entirely distinct from individuals, of which it is composed. Those who maintain this opinion believe that a corporation has a separate taxpaying ability from that possessed by its owners and different corporations have different ability to pay. Exponents of this theory admit "double taxation", as they are called, on both the personal and corporate incomes, and not infrequently, a progressive taxation too on the income of the corporation. This idea may be called the "separate entity theory" of corporations, which has been popular in Germany, and in Japan too. The other school of thought considers a corporation as an aggregate of individual persons and does not admit its independent character. It is held that the separateness of the corporations and its stockholders is merely a convenient fiction of the legal mind. Consequently, the corporate income is believed to be the income of the individuals who own the corporation, and corporate income tax is regarded as an instrument for collection at the source of the personal income tax. It follows that double taxation should be avoided according to this doctrine. This view may be called the "legal fiction theory" of corporations, and has developed in Britain. The Shoup Report seems to adhere to this idea.

In Japan the taxation of corporate income has experienced a variety of changes. In 1887 when income tax was first introduced, it was taxed on the personal income only, and the corporate income was exempt. In 1899, a tax was imposed on the income of corporations, but the dividend income of the individual person received from the corporation was excluded from the tax base of personal income. This was done to avoid the double taxation. This principle lasted until 1920 when the system began to turn in the opposite direction. By the amendment of 1920, the corporate income as well as the dividend income of individuals became objects of taxation. However, to reduce the burden caused by double taxation, the so called "dividend-exclusion approach" was adopted under which 40 per cent (this percentage was lowered to 20 per cent later) of the dividends received by individuals was deducted from taxable income. This measure to reduce the tax was repealed in 1940, and the double taxation in the strictest sense of term was established, i.e., both the personal and corporate incomes were fully assessed. After World War II the policy changed and showed again a tendency to alleviate double taxation. In 1949 the "dividends-received-credit approach" was introduced and 15 per cent of dividend receipts was deducted from personal income tax. In 1950 this was raised to the present percentage of 25 per cent by the Shoup recommendations.

Our system of taxation on the corporate incomes began with the complete avoidance of double taxation, then gradually it gave way to the opposite extreme, and arrived at a middle-ground status allowing for the alleviation of excessive tax burdens under the double tax system. This course of development corresponded to changes of the ruling idea on the nature of corporations, i.e., transition from the legal fiction theory to the separate entity theory, from which there came a compromise between these conflicting views. This fact was reflected in the tax form of corporation income. To give some illustrations; in 1899 when the taxation on corporation income was put in practice, a flat rate of 2.5 per cent was applied. Then followed the age of progressive rates, which lasted more than forty years, with occasional alterations, from 1905 to the year immediately preceding the reforms resulting from the Shoup recommendations.

According to the tax structure in 1949, corporation incomes were classified, for the purpose of taxation, into three kinds: normal incomes, excess incomes and incomes at liquidation. The normal income, which was the sum total of net profits of a corporation during every accounting period, was taxed by a flat rate of 35 per cent. The excess income was the amount of normal income in excess of 30 per cent of the amount of capital employed in the period, on which, besides the normal income tax mentioned above, there was imposed an additional tax at rates graduated from 10 to 20 per cent. Income at liquidation denoted the excess of assets over paid-in capital, or contributions, at the time of the dissolution of the corporation, the tax rate of whcih was 20 per cent on the amount composed of reserves, and 45 per cent on the others. In the case of the family corporation, a special additional tax was imposed on undistributed profits at the progressive scale varying from 25 to 80 per cent for the amount which exceeded a certain limit.

In 1950 a basic reform was accomplished by the Shoup Report as follows:

(a) Taxation on excess income and income at liquidation was repealed. Tax on the normal income alone is now assessed at the rate of 42 per cent (the rate had been 35 per cent in 1950 in accordance with Shoup recommendations, but was raised to 42 per cent afterwards). The income of special corporations, such as the agricultural co-operative society and others, is taxed at the special low rate of 35 per cent. The double taxation burden of personal and corporate incomes is alleviated by the deduction of 25 per cent of the dividend income from the personal income tax.

(b) In 1950 when the new tax system came into effect, all reserves accumulated by corporations up to date were taxed at the rate of 2 per cent a year (roughly corresponding to the prevailing rate of interest). As for the reserves of the family corporation, an amount up to 500,000 yen was taxed at the rate of 2 per cent, and the excess above that amount, at the rate of 7 per cent. An additional special tax in the old system on the family corporation was repealed. But, it is to be added, that after one year's experiment, almost all of this taxation on accumulated reserves, contrary to the Shoup Report, was abolished, except that on the excess above 500,000 yen of family corporation. Even in this case the rate was lowered from 7 to 5 per cent. The grounds for this revision were that it was alleged to reduce the tax burden of enterprises and to stimulate the accumulation of capital.

(c) To make up for the abolishment of the corporation income tax at liquidation, a personal income tax is levied on the liquidation dividends received by individuals, when the amount exceeds the value of acquisition of stocks. The part of the excess corresponding to the reserves is taxed as a dividend income, and the remainder, as capital gains.

(d) Dividends which one corporation receives from another is not treated as profits in determining the taxable net income of a corporation.

Besides these, there are detailed provisions concerning profit and loss accounts, reserve funds, etc., into which I shall not enter in this paper. However, it is to be observed that quite recently the system of rapid or accelerated depreciation was adopted as to business assets, such as ships, plants, machinery, and equipment in thirty one categories of industries, supposedly for the encouragement of the accumulation of capital and modernization of the techniques of business management. With a similar object in view, a variety of tax-free treatments as regards reserves of undistributed profits against bad debts etc. was introduced. These policies are criticized as favouring big business at the cost of loss of public revenue, but by these successive amendments in the corporation income tax, the burden on corporations has been considerably reduced, and this has accelerated the change of legal status of business enterprises and increase of corporations. If we compare the figures in 1949 with those in 1952, we find that the total number of corporations in Japan has grown from 177,490 at the end of March, 1949, to 260,467 at the end of March, 1952, and the ratio of corporation income to the national income, has risen from 5.1 per cent in 1949 to 8.7 per cent in 1952, while that of unincorporated business income (non-corporate income from commerce, industry, agriculture, etc., operated by a sole proprietor) to the national income has fallen from 47.3 per cent in 1949 to 43.6 per cent in 1952. Total receipts from corporate income tax increased more than threefold during the same period while those from personal income tax declined slightly, as indicated in Table I. Indeed it is true that this fact was in part caused by the general rehabilitation of Japanese economy and the boom in industries because of the increase of demands for war materials owing to the Korean Conflict. It can not be doubted that this change was ascribable, in part, to the recent tax reforms which favoured incorporated business.

VI.

PROBLEMS AT ISSUE ON PERSONAL AND CORPORATE INCOME TAXES

Thus far, I have explained the personal and corporate income tax of Japan. Much has been said for and against it. I shall now examine some of the problems worthy of note.

(1) *Irrationality Connected with Double Taxation.*

As I mentioned above, there are two conflicting doctrines on the

Table IV. Integrated Tax Burden of Personal and Corporate Taxes (in yen)

Income bracket	Personal income tax on income other than dividends (I)	Corporate income tax (II)	Personal income tax on 58 yen of dividends (III)	Integration of corporate and personal income tax on dividends (IV)	Personal income tax on 100 yen of dividends (V)
A) bracket tax-free	0	42	0.00	42	0
B) 0— 20,000	15	42	5.80 *	36.20	10 *
C) 20,000— 70,000	20	42	2.90 *	39.10	5 *
D) 70,000— 120,000	25	42	0.00	42.00	0
E) 120,000— 200,000	30	42	2.90	44.90	5
F) 200,000— 300,000	35	42	5.80	47.80	10
G) 300,000— 500,000	40	42	8.70	50.70	15
H) 500,000—1,000,000	45	42	11.60	53.60	20
I) 1,000,000—2,000,000	50	42	14.50	56.50	25
J) Over 2,000,000	55	42	17.40	59.40	30
K)	60	42	20.30	62.30	35
L)	65	42	23.20	65.20	40
M)	70	42	26.10	68.10	45
N)	75	42	29.00	71.00	50
O)	80	42	31.90	73.90	55

nature or essential character of corporations. The divergence of opinion as to double taxation on dividend income is derived from the difference of these theories. Our present system follows the Shoup Report based on the legal fiction theory which opposes the double taxation in principle. But on account of the practical difficulty in eliminating double taxation completely, a system of compromise is in effect. At present, both personal and corporate taxes are imposed on the dividends of corporations. In order to mitigate the tax burden, it is decreed that 25 per cent of dividend incomes received from corporations shall be deducted from the individual income tax. If we examine this scheme from the viewpoint of the legal fiction theory, laying aside the question whether or not this idea is justifiable, we find irrationality inherent in our system. This I shall explain in Table IV.

In this table is shown the tax upon every income bracket at the present rate.

Figures in every column indicate taxes in every income bracket. Figures marked * denote minus.

(I) — Personal income tax on 100 yen of individual incomes other than dividends.

(II) — Corporate income tax on 100 yen at a flat rate of 42 per cent.

(III) — Personal income tax on 58 yen of dividends (100 yen of dividend income less 42 yen), on the assumption that the full amount of coporation income is divided among individual stockholders.

(IV) — Integrated tax burden of corporate and personal income taxes on 100 yen of the corporate income, i.e., the aggregate of (II) and (III).

(V) — Personal income tax on 100 yen of dividends received from corporation. In other words, it is the quotient obtained by dividing the figure in (III) by 58 yen.

The present system has the following characteristics:

(a) Combined burden of corporate and personal income taxes (IV) in the lower income brackets, indicates regression, viz., bracket A-42, bracket B-36.2, bracket C-39.1, figures of brackets B and C in (III) being minus. In order to eliminate this irrationality, setting aside for the moment other factors such as equitable distribution of tax burden among various types of incomes and the effect on the government receipts, etc., either of two steps should be taken: (1) The rate of deduction from personal income tax granted to dividends is to be made equal to or less than the minimum rate of progressive scale in the personal income tax. If, for instance, the equal rate, 25 per cent, were taken for both, taxes on brackets A B C D in (IV) would be equalized to 42 yen; (2) Following the "withholding approach" in Britain, refund of 42 yen to the bracket A is to be made, by which A in (IV) would be tax-free.

(b) In the next place, it is to be pointed out that inequitable features which discriminate against the recipient of small dividend income are inherent in our system, inasmuch as taxes on dividend income, compared with other types of personal income, are relatively heavy in lower income brackets and light in higher brackets. If we examine taxes on the lowest bracket A and highest bracket J, in distributed corporate profit (IV) as well as in other types of income (I), we find 42 yen on A and 59.4 yen on J in the column (IV), in contrast with none on A and 55 yen on J in the column (I). This characteristic will manifest itself more clearly, if we suppose extreme cases. K, L, M, N, O in Table IV are assumed for the purpose of explanation to be income brackets, to which rates from 60 to 80 per cent are applied respectively. The tax on the income bracket O, is 80 yen in the case of (1), whereas 73.9 yen in the case of (IV). Thus the dividend income in high income brackets is, contrary to popular notion, favourably treated despite the double taxation scheme. This is a defect which is inherent in "the dividends-received-credit approach", and has been pointed out by many experts 5).

(c) If we analyze this system from the viewpoint of separate entity, considering the corporation as an organic unity distinct from individuals, and compare the personal income tax on the dividends (V) with that on other types of income (I), without taking into account corporation tax (II), we shall find that the dividend income stands in a favourable position, because of 25 per cent credit granted to it.

These are points at issue concerning double taxation in Japan, disadvantages of which should be amended in some way or other. 6)

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5) Excellent studies on this subject are Richard Goode, "The Postwar Corporation Tax Structure", in "*How should Corporations be Taxed*", ed. by Tax Institute, Inc., N.Y., 1947, pp.46-58; idem, "*The Corporation Income Tax*", N.Y., 1951, pp.181-198.

6) The rates recommended by the Shoup Report and enforced in 1950 were 35 per cent for corporation tax and graduated scale ranging from 20 to 55 per cent for the personal income tax. In this case, the tax on the highest income bracket J, when computed according to the step described above, was 55 yen for (I), 35 yen for (II), 19.5 yen for (III), 54.5 yen for (IV), and 30 yen for (V), respectively. This was devised to make the tax burden on dividend income (IV) of this highest bracket approximately equal to the tax on other types of income (I). By this way the equitable distribution of tax among various kinds of income was realized in case of high income, but otherwise in case of low income, in which the defect remained unreformed. This fact seems to have been recognized by the Shoup Report, which, among other things, recommended the necessity of

On the problem of double taxation, I am of the opinion that corporations being no homogeneous group, the method of taxation should, generally speaking, vary according to the nature and size of corporation. In Japan business concerns which have the name of corporation are of various kinds. Some of them are small in size and composed of a few individuals, commonly with a small amount of capital, while others are large corporations composed of thousands of shareholders, who change from day to day. The former has the nature of an aggregate of individuals, and is similar in a high degree to a partnership or an individual proprietorship. The latter has the character of distinct organic unity with the personality of its own. From the difference of nature, it necessarily follows that the double taxation of corporate and personal income should be avoided in the former as much as possible, by adopting partnership method, withholding method or others as the case may be, whereas in the latter it should theoretically be admitted. It is to be noted that in the history of the Japanese income tax, treatment of corporate income has suffered several changes in accordance with the mutation of the nature of corporations. In the early days when most of the corporations were organized mainly by a few members of a family, relatives or friends, the policy of complete elimination of double taxation was enforced. With the development of big corporations of a modern pattern, the double taxation gained ground in our system. Since the reform by the Shoup Report, a new phenomenon has appeared. Small corporations, similar to individual proprietorships in their nature, have been on the increase. Many of them came into existence with the object of reducing the tax burden. To cope with the new situation, it is desirable to give special consideration for the taxation of corporate profits, according to the nature of the corporation.

(2) *Taxation on Capital Gains and Losses.*

This tax is not a major source of public revenue, but it presents a problem deserving of study, as it is closely related with the foundation of the present system. In Japan, taxation on capital gains and losses has undergone many changes. It had long been tax-free before the extraordinary excess profits tax was introduced on capital gains from sales of real estate and ships in 1939. After a varied experience, we came to the system previous to the Shoup Report that one-half of net capital gains from sales of real and personal properties was included in taxable income.

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shifting to British or even to still more refined methods, if the time would come when the Japanese income tax works smoothly (Cf. Shoup Report, Vol. 1, p. 105).

In the new system of 1950 on the Shoup Report, capital gains and capital losses were treated like other income for tax purposes, on the ground that there would be no real economic distinction between capital gains and other income. But the method of averaging income over five years was adopted for reasons of avoiding the unfair discrimination against the receivers of fluctuating income of this kind, as large payment of income in one year may push the taxpayer up into higher income brackets under a progressive tax assessed on an annual basis. In short, this scheme may be said to be a thoroughgoing realization of modern tax theories supported by a certain group of scholars . As the Shoup Report emphasized, inclusion of the full amount of capital gains and losses was thought to be a basic cornerstone of its reform program of personal and corporate income taxes, based on the legal fiction theory, and any departure from this principle was considered to impair seriously the coherence of the program 7). This is the reason why the enforcement of compulsory registration of all corporate securities constituted an important part of its system 8).

This proposal of compulsory registration of securities met with opposition because of the difficulty of enforcement and was not brought into operation with the result that the objective of a perfect and full-fledged taxation on capital gains, especially those from sales of securities, was not realized to the extent that had been desired. Moreover, in Japan, the position of capital gains among the whole taxable income is insignificant, compared with that of the United States. According to the final return of self-assessment of personal income tax in 1950, the capital gains from sales of personal and real properties were 2 billion yen, 0.3 per cent of the whole taxable income of that category, which amounted to 653 billion yen. This was due in part to the failure to file returns from motives of tax-evasion on the part of taxpayers, and in a large part due to the fact that the total amount of this income was in reality very small. This contrasts with the state of things in the United States. It is said that over the fifteen-year period from 1926 to 1940, the estimated net revenue from capital gains in federal finance constituted 15.2 per cent of individual income tax receipts. In 1928, it amounted to nearly one half. 9)

In 1952 the Japanese government made the following amendment:-

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7) *See Shoup Report, Vol. I,* Forword, p. 2, and Appendix B, pp. 10-11.

8) *Ibid,* Vol. II, p. 218.

9) These figures appear frequently in textbooks on public finance of the United States. See, for example, Alfred G. Buehler, "*Public Finance*", 3rd ed., N.Y., 1948, p.465; Harold M. Groves, "*Financing Government*", 3rd ed., N.Y., 1950, p. 173.

(a) The aggregate amount of capital gains, forestry incomes and non-recurrent incomes up to 100,000 yen is allowed to be deducted from income tax base, with a view to reducing the burden of lower income classes, and also for the purpose of avoiding administrative difficulties in levying the tax on minor irregular incomes.

(b) In the tax system in effect in 1950 the capital gains accrued on assets transferred at death had been treated as realized by decedents and taxed. By this amendment, assessment on such an income was abolished. They are taxed when realized by sales or gifts, the tax base being the difference between the purchase price of an asset and its selling price.

This revision shows, judging from the theory of Shoup and Vickrey, a tendency towards retrogression. According to their view, this is surely an alteration for the worse 10). However, it may be argued that the tax structure on capital gains recommended by the Shoup Report is of practical significance in such a country as the United States, where the technique of tax administration is advanced, the securities system is highly developed, and capital gains occupy a high position in the national income. In Japan, where socio-economic conditions are otherwise, it is doubtful whether this scheme would function smoothly.

The Japanese government introduced a tax reform bill in the Diet now in session, which proposes, among other things, to repeal the tax on the capital gains from sales of securities, and to impose as its substitute a tax similar in its nature to that enforced in Japan during the period from 1937 to 1949. The new tax is called securities sales tax, and is to be paid by the seller of stocks, bonds and other kinds of securities at the flat rate of 0.15 per cent on their transactions. According to Shoup's theory, this new scheme may be irrational, because this is not a progressive tax on incomes, but a kind of sales tax imposed at a proportional rate on securities transactions. It is true that the refinement in theory is sacrificed for the sake of simplicity, but judging from the present situation of Japan, the practical value of this proposal may not be underestimated. This tax bill is now under consideration and is expected to be passed by the Diet.

(3) *Optional Tax on Interest Income.*

As already explained, during the period from 1899 to 1939, the interest of public loan bonds, debentures, bank deposits, etc. received

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10) Cf. e.g., Carl S. Shoup et al, "*Facing the Tax Problem*", N.Y., 1937, pp.484-491, and elaborate program of "Cumulative Averaging Method", proposed by William Vickrey, in his outstanding work, "*Agenda for Progressive Taxation*", N.Y., 1947, pp. 172-195.

by individuals was subject to a special flat rate of tax collected at the source in place of including it in the income to be taxed at graduated rates on the ground that this treatment was necessary because the tax was widely evaded and that this was an effective way to collect any substantial tax. It was further alleged that this would be an administrative device to encourage savings and therefore to help to increase the stock of capital equipment. Such favouritism for interest incomes, especially those to upper-income groups, was repealed in 1940 and hence interest as a rule was included in individual taxable income and treated like other income. As an exeptional measure, an alternative withholding tax of a flat rate was imposed on interest income in case the taxpayer so applied. In other words, the favouritism was abolished in appearance, but remained in practice. In the new system of 1950, in accordance with the Shoup Report, the optional tax was completely repealed and interest was included in individual incomes in full for tax purposes. After one year's experience, the old system of optional tax withheld at the flat rate of 50 per cent was once again restored as a result of the pressure of the financial circles. The rate is expected to be reduced to 40 per cent by the reform bill now in Diet. Obviously this too shows a tendency towards retrogression.

(4) *Repeal of Net Worth Tax.*

In the old system of Japan up to 1949 the highest rate of personal income tax had been 85 per cent and was reduced to 55 per cent in 1950 when the net worth tax was introduced. This new tax is a kind of general property tax imposed on the excess of the sum of individual assets over the sum of his liabilities. Net worth up to 5,000,000 yen is exempt. That part of net worth in excess of 5,000,000 yen is taxed at rates graduated from 0.5 to 3 per cent.

In Japan, a general property tax had frequently been proposed by fiscal experts as a supplementary measure to the income tax ever since the end of World War I, and in 1936 a plan was drawn up but not enforced. In 1950, for the first time the net worth tax, as it is now constituted, was established by a Shoup recommendation.

This tax has met with opposition. Apart from the voice in protest based on the unreasonable desire of taxpayers who try to evade not only this tax, but also other taxes such as income tax, inheritance tax, etc., by hiding their wealth, it is said that much difficulty is involved in the administration of this tax, in the evaluation of property. Nevertheless the tax is of minor importance, annual receipts being only one billion yen. In the tax reform bill now in the Diet we find a program to abolish this tax and to raise the highest rate of income tax to 65 per cent. This too means the revival of old system prior to Shoup, and the reform for the sake of simplicity at the cost of general principle.

(5) *Withholding Tax and Self-Assessment.*

As for the income tax administration, it is to be observed that the administration of self-assessment is in a less satisfactory condition than that of the withholding tax. Table V indicates estimates and actual results of their receipts for the years 1949, 1950 and 1952.

Table V. Estimates and Results of National Revenues from Personal Income Tax (in millions of yen)

	1949		1950		1952	
	Estimate	Result	Estimate	Result	Estimate	Result
Withholding . . .	129,456	141,547	118,316	127,515	176,145	186,871
Self-Assessment . .	170,325	137,309	117,108	92,619	83,949	83,015
Total of personal income taxes	299,811	278,856	235,424	220,134	260,094	269,886

If we compare estimates with actual results of each year, we find that in withholding, the amount results in a larger sum than estimated, while under the self-assessment plan it is smaller. This fact is due to the decreased efficiency of tax administration, as a result of the war, and the increasing effort of tax evasion on the side of taxpayers, especially of those listed in the self-assessed group, resulting in the unreasonable discrimination against wage earners whose taxes are for the most part withheld at the source of income.

Generally speaking, the income tax burden of Japan at present is relatively heavy compared with that before the war. If we inquire into the relative position of taxpayers with annual income under 300,000 yen among all income taxpayers in 1952, we find that the total amount of income for those who belonged to that class was 74 per cent of 829 billion yen, the sum total of gross incomes (before deducting personal exemption and allowances of various kinds) as declared by the taxpayers who paid the tax by self-assessment. The total number of persons of that class was 92 per cent of 3,170,000 persons, constituting the whole body of taxpayers under the self-assessment plan. Regarding earned incomes, such as wages and salaries, the total amount of annual income under 300,000 yen was 88 per cent of 1,647 billion yen, which represented the total of earned incomes. The number of persons of that class was 97 per cent of 8,633,000 people, the total number of taxpayers who earned incomes of this kind. The value of 300,000 yen in 1952 was approximately equal to the value of 1,000 in terms of yen in the days before the outbreak of the China Incident. The price level has increased since then by 300 times. To take into consideration the fact that a personal income under 1,200 yen was tax-free in 1937, the greater part of the people who pay income tax at present, would not have been subject to tax in those days.

To sum up, our personal and corporate income tax has shown a backward tendency from the Shoup recommendations to the old system since 1951. If the tax reform bill now in Diet is passed and becomes a law, the Japanese system, except in some minor respects, will diverge from the Shoup recommendations in basic construction.

VII.

INHERITANCE TAX

The estate tax was introduced in 1905, at the time of the Russo-Japanese War. Since then it has experienced several revisions among which the most important reforms were those of 1947 and 1950. The reform in 1947 was carried out in response to the enforcement of a new constitution. The chief characteristics of the revision were as follows:

(1) Special tax treatment favouring the transfer of family property in the case of "succession to a house" was repealed in accordance with the abolishment of this traditional system by the new constitution and the estate duty on bequests in the case of "succession to property" or inheritance in the ordinary sense alone remained in operation.

(2) The gift tax on gifts inter vivos was newly established. The donor was taxed.

Thus, the estate and gift tax similar to a corresponding system in the United States was introduced. This tax, after three years of existence, was thoroughly revised in 1950 by the Shoup Mission. A new tax, enforced in 1950, was the accessions tax, a cumulative tax on the recipients of gifts and bequests, which had been proposed as an ingenious device of integrating inheritance and gift taxes by Harry J. Rudick at the 39th Annual Conference of the National Tax Association at Chicago in 1946. 11) Our tax would probably be the first attempt of this kind in the world, as it is in the case of value-added tax.

The following is a brief outline of this tax as it is now:

(1) The taxpayer is a recipient of bequests and gifts, and is

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11) Cf. Harry J. Rudick, "*A Proposal for an Accessions Tax*", in *Proceedings of N.T.A. 1946,* pp. 179-197

subject to a tax on the sum total received from January 1, 1950, until the time of taxation.

(2) From the tax base is deducted, (a) the first 30,000 yen of gifts or bequests received during each year from any one donor or testator, (b) in case of bequest to a surviving spouse, one-half of the bequest, (c) in the case of bequests to minor children of the decedent, 20,000 yen for each year by which the age of the minor child is less than eighteen, (d) contributions to non-profit organizations whose purposes are religion, charity, science research and similar nature, (e) the sum total of life insurance money up to 200,000 yen received as a result of the death of the decedent, (f) in addition to the deduction mentioned above, 300,000 yen to each recipient over his entire lifetime as a special exemption.

(3) The rate is graduated, from a minimum of 20 per cent on the amount up to 200,000 yen to a maximum of 70 per cent on the amount over 100,000,000 yen. The manner of its application is similar to the gift tax in the United States. When a gift or bequest is received, it is added to the total of taxable gifts and bequests previously received, and a tax is computed on this total according to the current set of rates. A tax is also computed at the current set of rates on the previous cumulative total, and the difference between the two taxes is the tax currently due.

The above is the summary of the present inheritance tax structure. A disadvantage lies in the fact that the difference of the value of money according to the difference of time when gifts or bequests are received, is left out of the account. To amend this, amounts of money at different times should be adjusted by the use of a price index number and brought to equal value basis. It is to be noted that Rudick, exponent of this scheme, did not refer to this matter in his study. In such a country as the United States, where the value of money is stabilized, this step may be unnecessary. It is quite otherwise with Japan, where money values highly fluctuate. Another disadvantage pointed out by tax administrators is that it is almost impossible, under the present situation in Japan, to put into practice such a complicated system as a lifetime exemption, taxation on cumulative accessions over long years, etc.

In view of these facts a bill was presented to the Diet by the Japanese government to adopt a simpler but less equitable type of taxation in place of the accessions tax. The bill is now under consideration. The proposed plan is:

(1) The inheritance tax in a narrow sense, i.e., the tax on the individual shares of the estate transferred to the beneficiaries, is to be levied seperately on the recipient of the bequest each time the transfer at death takes place. A special exemption of 500,000 yen

is allowed for each bequest in contrast with a single lifetime exemption in case of the accessions tax. The rate is graduated from 15 per cent on the amount up to 200,000 yen to 70 per cent on the amount over 100,000,000 yen.

(2) The gift tax is to be imposed on the recipient of the gift, the tax base being the sum total of all gifts received by an individual during the period of one year, less special exemption of 100,000 yen for each year. Graduated rates are applied, ranging from 20 per cent on the amount up to 200,000 yen to 70 per cent on the amount over 30,000,000 yen.

This scheme, too, deserves to be criticized as sacrificing elaborate and consistent order to the convenience of administrative practice.

VIII.

THE REVALUATION TAX

There was much discussion among Japanese specialists concerning the problem of revaluation of assets when the inflation after the war was over. The revaluation was carried out in 1950, at Shoup's suggestion, in the manner summarized as follows:

All business and non-business assets, were to be reappraised as of January 1, 1950, and the revaluation write-up, viz., the increase in value of assets that occurred under the revaluation of assets, was subject to 6 per cent "revaluation tax". With regard to the write-up on depreciable business assets owned by corporations and individuals, the payment of tax was to be made in installments over a few years. With regard to land and other non-depreciable assets, the tax would not become payable until the property is sold or disposed of by gift or bequest. The most striking feature of our system, contrary to the Shoup recommendation, was the special favour granted to the assets of incorporated and unincorporated business that business concerns were allwed in their discretion to revalue them to any level, provided it did not exceed the maximum legal limit of value, which was to be determined by multiplying the cost of acquisition, less depreciation, by the ratio of a general price index for 1950 to the corresponding index for the original date of acquisition. So business enterprises, according to this exceptional provision, revalued their assets in 1950, taking into consideration a variety of factors, including the burden of revaluation tax, decrease of income tax for the succeeding years due to the increased depreciation, their financial condition, prospect of business, etc. In a word, they made reappraisal from the standpoint of business management, so that our policy of revaluation was diverted from its original objective to realize an equitable distribution of social sacrifice of inflation, as well as, to correct the chaotic state of values of properties caused by inflation or to bring them under the uniform basis as of January 1, 1950.

In 1951 the second revaluation was granted to those businesses only, which had not fully reappraised their assets in 1950 up to the maximum legal limit of value as of January 1, 1950. This measure wat taken, it was alleged, in response to the substantial change of Japanese economic conditions caused by the outbreak of the Korean Conflict.

Again a new bill to revalue the assets as of January 1, 1953 by a similar procedure, the price level having increased by 50 per cent since January 1, 1950, was presented to the Diet and is now being considered.

It is obvious that in this policy, as in others, the general theory is sacrificed for the sake of business interests.

IX.

CONCLUSION

In concluding this article concerning Japanese direct taxes in national government, what I should like to assert may be summed up in two points. One is a departure from the Shoup recommendations and a revival of the old system. It may be considered as a tendency towords retrogression which sacrifices equity to the convenience of administration. However, it is to be observed that the tax system in practice is a product of historical development depending on the social, economic and political conditions of time and place. It would not be wise to condemn such a course of events merely from the standpoint of abstract theory. This is a problem deserving of careful study.[12]) The second point is a growing tendency to reduce the tax burden of enterprise, especially that of big business, in the name of rehabilitation of national economy and the furtherance of capital accumulation, at the expense of other social classes. It is true that importance should be attached in a capitalistic society to the accumulation of capital and the prosperity of enterprises, because tax theoretically represents the fiscal pattern based on a capitalistic order of economy. The tax system or policy such as not infrequently proposed by extremists, which is not in harmony with its general framework, is not merely illogical, but also impracticable. There is, on the other hand, a limit to the policy which favours capital. The tax policy of the Japanese government of these past few years seems to have overstepped the limit. 13)

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[12]) Prof. M. Kimura, a colleage of mine, in his interesting study, "Conditions for Direct Taxation" in "*Annals of the Hitotsubashi Academy*", Vol. II, No 2, April, 1952, analyzed the Japanese system, after enquiring into general conditions necessary for the successful enforcement of direct taxation.

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13) The tax reform bill referred to in this paper was passed by the Diet at the beginning of August, 1953, with an amendment, lowering the rate of withholding tax on the interest income from the proposed 40 % to 10 10 %.

LES IMPOTS DIRECTS AU JAPON ET LE RAPPORT SHOUP

PAR LE PROFESSEUR HANYA ITO

RESUME

La réforme fiscale entreprise au Japon en 1950 était basée sur le «Rapport sur les impôts au Japon, rédigé par la mission Shoup» en 1949. Ce rapport a revêtu une signification qui a fait époque dans l'histoire de la fiscalité du Japon et on ne pourrait surestimer son extraordinaire contribution à la politique de ce pays. Cependant, certaines recommandations ont prêté à critique de par leur caractère trop thèorique, difficillement applicable dans le stade actuel de développement économique et social du Japon. Si l'on examine les revisions fiscales récemment entreprises au Japon, on est amené à constater que la structure fiscale dans ce pays, et plus particulièrement celle qui se rapporte aux contributions directes imposées par le gouvernement national, tend à revenir à l'ancien système antérieur aux recommandations formulées par la mission Shoup.

Pour illustrer ce qui précède signalons les faits suivants:

1) Contrairement aux propositions contenues dans le rapport Shoup et tendant à baser l'impôt sur le revenu personnel, sur l'ensemble des revenus de toute nature sans distinction aucune, les pensions de vieillesse sont, dans le système fiscal actuellement en vigueur au Japon, taxées séparément des autres catégories de revenus. Le montant imposable est établi en soustrayant, à titre d'exemption de base, du montant annuel de ce genre de revenu, une somme de 150.000 yens augmenté de 50 pour cent du restant. Dans ce cas on applique des taux établis par tranches.

2) Les intérêts produits par les titres de la Dette publique, les obligations, les dépôts en banque etc. et encaissés par des particuliers, sont frappés d'un impôt spécial uniforme retenu à la source, au lieu d'être englobés dans le revenu personnel global soumis à un impôt calculé sur la base de taux établis par tranches, comme l'a proposé le professeur Shoup.

3) La taxation des bénéfices (sur le capital) provenant de la vente de titres, que la mission Shoup considérait comme étant la pierre angulaire de son programme de réformes, a été abrogée et, à l'heure actuelle, elle est remplacée par une taxe nouvelle uni-

forme, appelée taxe sur la vente de titres et frappant la vente d'actions, obligations et autres valeurs de ce genre.

4) La taxe sur la valeur nette (impôt général sur la propriété), qui a été adoptée sur recommandation du professeur Shoup en remplacement des taux les plus élevés de l'impôt sur le revenu personnel, a été portée de 55 à 65 pour cent.

5) La taxe sur les bénéfices des sociétés frappant les réserves accumulées a été abrogée, sauf pour les sociétés familiales.
6) L'impôt sur les acquisitions à titre gratuit, qui constitue une taxe cumulative sur l'ensemble des legs et des dons, a été remplacée par deux sortes de contributions:
   1. la taxe sur les successions dans le sens le plus strict du mot, c'est-à-dire l'impôt sur les parts individuelles d'une succession, transférées aux héritiers;
   2. la taxe sur les donations.

7) En ce qui concerne l'impôt sur la réévaluation des avoirs, c'est-à-dire sur l'augmentation de la valeur comptable d'avoirs qui sont la propriété de particuliers et de sociétés, ayant eu lieu lors de la réévalution des biens en 1950, les entreprises commerciales bénéficient d'un régime de faveur en ce qu'elles sont autorisées à réévaluer ces avoirs, à leur propre discrétion, jusqu'à concurcurrence de montants n'excédant pas le maximum légal, obtenu en multipliant le prix d'achat, diminué de la dépréciation, par le rapport de l'index général des prix établi pour l'année 1950 comparé à l'index correspondant de la date d'acquisition.

Les faits ci dessus mentionnés révèlent un retour à l'ancien régime, que certaines personnes considèrent comme étant le sacrifice de la doctrine générale à la commodité administrative.

On doit signaler que tout récemment et en vue d'encourager l'accumulation de capitaux, un système d'amortissement rapide a été adopté en ce qui concerne les avoirs industriels, tels que bâteaux, usines, machines et équipements. Dans le même but on a introduit un certain nombre d'exemptions fiscales en faveur des bénéfices non distribués et afectés à des reserves pour amortissement des mauvaises créances, etc. Grâce à ces mesures, la charge fiscale pesant sur les sociétés a été sensiblement allégée ce qui a grandement favorisé l'accroissement du nombre des sociétés commerciales.

On peut encore noter comme étant une faiblesse du système japonais, le fait que la charge totale des impôts sur les revenus dûs par les sociétés et les personnes sur les dividendes distribués et tombant dans une tranche d'imposition inférieure montre une tendance régressive, ce qui constitue un phénomène inéquitable, désavantageant les bénéficiaires de revenus modestes.

En ce qui concerne la perception de l'impôt, l'application du système de la déclaration des revenus par le contribuable, donne en fait, dans le domaine de la taxe sur les revenus, des résultats moins favorables que la retenue des contributions à la source. Si nous comparons les estimations et les résultats définitifs afférents aux années fiscales 1949, 1950 et 1951, nous constatons que là où la méthode de la retenue est appliquée, les rentrées fiscales dépassent les prévisions, alors que le contraire se produit quand le procédé de la déclaration par le contribuable est applicable. Ce fait est dû à l'affaiblissement de l'efficacité de la perception fiscale, occasionné partiellement par la guerre et partiellement par les fréquentes tentatives d'évasion fiscale de la part des contribuables, et surtout de ceux qui appartiennent à la catégorie des redevables qui déclarent eux-mêmes la somme des revenus imposables. Ceci constitue en dernière analyse une discrimination inéquitable défavorisant les salariés dont les impôts sont le plus souvent prélevés à la source.

En général, on peut dire qu'au Japon le fardeau de l'impôt sur les revenus est à l'heure actuelle relativement pesant, si on le compare à celui d'avant guerre. Si nous examinons la situation existant en 1952 en ce qui concerne les contribuables jouissant de revenus annuels inférieurs à 300.000 yens, par rapport à celle de l'ensemble des contribuables, nous constatons que le total des revenus des contribuables appartenant à cette catégorie représentait 74 % des 829 milliards de yens constituant le total des revenus bruts déclarés par les contribuables tenus à faire eux-mêmes leur déclaration de revenus. Le total des personnes appartenant à cette catégorie de contribuables s'élevait à 92 % des 3.170.000 habitants formant l'ensemble des contribuables devant déclarer eux-mêmes leurs revenus. En ce qui concerne les revenus provenant de salaires et d'appointements, le montant total annuel de ce genre de revenus n'atteignant pas 300.000 yens représentait 88 % de 1.647 milliards de yens, constituant le total de cette catégorie de revenus. Le nombre des personnes appartenant à cette catégorie de contribuables représentait 97 % des 8.633.000 habitants formant le total des contribuables jouissant de revenus de cette espèce. Une somme de 300.000 yens représentait en 1952 approximativement la même valeur que 1.000 yens avant l'incident chinois qui s'est produit en 1937. En effet, depuis cette date les prix sont devenus 300 fois plus élevés. Prenant en considération que les revenus inférieurs à 1.200 yens étaient exempts d'impôts en 1937, nous pouvons encore ajouter que la plupart des citoyens qui paient actuellement des impôts sur les revenus, n'auraient pas été assujettis à l'impôt en 1937.

Ce que je tiendrais à faire comprendre dans cet exposé peut se ramener aux deux points importants suivants: Le premier réside dans le fait que la fiscalité s'écarte des recommandations qu'a faites la commission Shoup et en revient à l'ancien système en ce qui concerne les contributions directes du gouvernement national. On peut considérer que cette tendance constitue un recul, qui sacrifie l'équité sociale à la facilité administrative. Mais, on doit se rendre compte qu'en pratique, tout système fiscal est le produit d'une évolution historique, qui est fonction des conditions sociales, économiques et politiques du moment et de l'endroit. Il ne serait point sage de condamner le cours des événements en se plaçant uniquement au point de vue de la théorie abstraite. Le problème nécessite une étude très attentive.

Le second point consiste dans une tendance toujours croissante de réduire, au nom de la restauration de l'économie nationale et en vue d'encourager l'accumulation de capitaux, la charge fiscale des entreprises commerciales et surtout des grosses affaires, au détriment des persones qui n'appartiennent pas au monde des entreprises Il va de soi qu'au sein d'une société capitaliste, on est tenu d'attacher de l'importance à l'accumulation des capitaux et à la prospérité des entreprises, car l'impôt constitue théoriquement une formule fiscale basée sur l'économie capitaliste. La politique ou le système fiscal fréquemment proposé par les extrémistes, qui ne serait pas en harmonie avec le cadre général de notre économie, est non seulement illogique, mais encore irréalisable.. Mais, d'autre part, toute politique favorisant le capital a des limites et la politique fiscale des dernières années du gouvernement japonais paraît les avoir dépassées.

THE ECONOMIC EFFECTS OF LOCAL NON-PROPERTY TAXES *)

BY JOHN F. DUE

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A major development in local government finance in the last two decades has been the shift toward increased reliance upon non-property taxes. In addition to more extensive business licence taxes, which have been used for many years, cities and other local units in the United States have enacted general sales and special excise taxes, especially on liquor, tobacco, amusements, and gasoline, and various types of earnings and income taxes in some states. The trend has been less marked in Canada than in the United States, the chief Canadian example (apart from business licences) being the Quebec local sales taxes. But the same pressures which have produced the trend in the United States are also at work in Canada. Some of these local taxes are both imposed and collected by the localities; this is true of California local sales taxes, and local earnings taxes in Ohio. Others are locally imposed but state or province-collected, as are the Quebec local sales taxes. The latter will be included in the category of local non-property taxes, since their economic effects are much the same, although the administrative problems are somewhat simpler. In this paper emphasis will be placed upon local sales and excise taxes.

Causes of the trend toward non-property taxes — Before considering the economic effects of these local taxes, it is desirable to review for a moment the reasons for the shift away from primary dependence upon property taxes. Basically the shift is due to the fact that property taxes, as they are constituted, will not yield adequate revenues to meet present day demands for local government services at rates which are regarded as tolerable. The property taxes in both countries, but especially in Canada, reach only a limited portion of total wealth; collection of large sums from this rather narrow base produces serious discrimination against persons who have their wealth in taxable property compared to those who have equivalent amounts in other forms of investments. High property taxes burden severely persons who have some taxable wealth but little current income, such as retired persons who own their homes; they may produce serious adverse economic consequences. But more seriously, as a practical matter, the political repercussions of high property taxes are so great that they cannot be tolerated. In recent years, property assessed values have lagged behind inflationary increases in the price level and governmental costs; the financial problems of the localities have thus been aggravated. One of the basic difficulties of the property tax is the fact that its yield does not keep pace with price level changes, as does that of the sales taxes.

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While the inadequacy of the property tax has become more marked in recent years, it became manifest as much as fifty years ago, and resulted in gradual withdrawal of the states and provinces from the property tax field. It also was a major factor in bringing about state and provincial grants in aid. But today the property tax is inadequate for local needs alone; there are definite limits to the extent to which grants in aid can be appropriately extended, in light of their effects upon local autonomy and upon the financial pictures of the states and provinces. As a consequence local use of non-property taxes has increased, but with little attention to the effects of such taxes upon economic activity and development.

ECONOMIC EFFECTS OF LOCAL SALES AND EXCISE TAXES

The economic effects of local general sales taxes are much the same as those of local special excise taxes, except of course for the obvious fact that the sales taxes affect a much broader segment of the economy, and thus their influences are more widespread. The effects of these two types of taxes will be classed into two groups: those which directly influence the operation of business firms, and those which are significant for the location of the conduct of various forms of economic activity.

Effects upon retailers: Local sales taxes have very significant direct effects upon the operation of retail businesses in the areas in which the tax applies, quite distinct from the effects upon the vendors arising from the taxes levied by larger jurisdictions. In the first place, the task of clerks in applying the tax is increased, since (except on over-the-counter sales) the tax status of the residence of the purchaser must be ascertained. This is very troublesome in metropolitan areas. Mistakes are made; customers complain; and costly adjustments must be made.

Secondly, if the various local taxes are non-uniform in coverage, as is true in California, and sales are made to persons in various local taxing jurisdictions, the task of correct application of the tax becomes almost an impossible one. In Quebec, the taxes are uniform, except for minor exceptions.

Thirdly, separate records must be kept of the sales at the various tax rates (provincial alone, provincial-plus-local), and, if the vendor conscientiously follows the law, of the various local jurisdictions into which the sales are made, so that the local taxes may be paid to the correct municipalities. In Quebec, merchants will have some sales at 2 percent (to customers in rural non-tax areas); some at 5 percent (to customers in areas having city and school sales taxes) and in some instances some sales at 4 percent (where there is city but no school tax) and at 3 percent (where there is school but no city tax). A similar situation is encountered in California, in which the city rates vary, even within a particular metropolitan area. As a consequence retailers' costs are increased.

Thirdly, local sales taxes greatly increase demands on stores for delivery, as shown clearly in both California and Quebec. Complaints with respect to added delivery expenses were heard in Montreal shortly after the tax was first imposed in 1935; in a study made last summer for the Canadian Tax Foundation virtually every merchant interviewed in Quebec, in lines of retailing in which delivery is provided, complained about the added delivery expenses. If the customer takes the goods over the counter, local tax applies regardless of residence. If he has the article delivered to an out-of-city residence, it does not. Thus residents of non-tax areas seek delivery of the smallest purchases; persons who actually reside in a tax area will frequently have expensive purchases delivered to summer homes or addresses of friends outside the city.

The net result is increased expenses of retaling, and higher prices, due simply to the use of the taxes by jurisdictions which are too small to allow proper functioning of the taxes. In addition the nuisance created for the retailers lessens their good will toward the tax and the chances of their full cooperation in its collection — a consideration of substantial importance for effective administration. Time and time again Quebec retailers pled that if only the tax were levied at a uniform rate throughout the province, most of the difficulties with the tax would be avoided. These problems are of course most serious with general sales taxes; they are encountered to only a minor extent with those excise taxes which are typically employed by the local units.

Effects upon the operation of manufacturers — Comparable accounting problems are created for manufacturers, especially those with plants and other facilities located in various localities. The problems arise primarily with purchases of taxable goods rather than sales; tax must be applied on such purchases if the articles are to be used in sales tax municipalities, but not if the articles are to be used in non-sales tax areas. When facilities, such as trucks, are frequently moved from one plant to another, the local sales tax complications become particularly severe.

Effects upon location of economic activity — The other major type of economic effect is upon the location of economic activity. Sales and excise taxes introduce arbitrary, non-economic factors into the forces which influence location. The actual location pattern is distorted from that which would be most efficient, in terms of economic forces, and in the process serious injury is done to various business firms.

The most significant effects are likely to be those upon retailing. When local sales taxes are imposed, customers will be encouraged to make more expensive purchases (but including perhaps the week's grocery shopping, if food is taxable) at stores outside the municipal tax area. Taxes levied by the localities on goods purchased outside and brought in cannot be enforced, except when the purchaser is a business firm located in the area. On larger items the savings are significant; suppose for example that a resident of Montreal buys a $ 300 refrigerator. He can save $ 9 tax by purchasing from a dealer outside the city limits. On an automobile the gain may be $ 100 or more. Purchase by mail from firms other than regular mail order houses (which collect municipal sales taxes) is also encouraged.

One result is that of encouragement of the development of fringe area suburban retailers. The trend toward the growth of the suburban shopping center has been influenced by many factors; the use of a city sales tax will certainly stimulate the trend, and particularly provide incentive for the location of the centers outside of the city limits.

The actual significance of the sales taxes upon retail location is difficult to assess. Some evidence is given by the fringe of gas stations around Missouri cities using gas taxes, advertising "no city tax". In some areas in Quebec merchants point to the loss of sales to suburban merchants or those in non-sales tax cities; complaints are particularly strong among automobile dealers. A recent study of the effects of local sales taxes in California reached the following conclusion on this question:

> ". . . . the contention that significant discriminatory competitive alignments (in favor of retailers in non-tax areas) result from a multiplicity of city sales taxes cannot be dismissed summarily. Comprehensive and reliable statistical evidence concerning this matter is not available, but extensive conferences with retailers and representatives of the California Retailers Association have provided information which leads to a strong inference that there are significant competitive results. Purchasers at retail appear to be far more sensitive to a tax differential than might be thought reasonable, and, moreover, appear to be far more sensitive to a differential of any size, however small, if it results from a tax, than they are if it results from some other variable affecting the total price to them". 1)

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1) California Senate Committee on State and Local Taxation, *State and Local Sales and Use Taxes in California,* Sacramento, January 1953, p. 34.

An extreme case of locational effects is to be found in the town of Lloydminster, 200 miles northwest of Saskatoon, on the railway to Edmonton. This case involves the Saskatchewan provincial tax, but illustrates very well the possible effects on competitive relationships and location which are much more likely to be significant with a local tax than with a provincial or state tax. Down the center of one of Lloydminster's two main streets runs the Saskatchewan-Alberta border; there are retail establishments of most types on both sides of the border. Since Alberta has no tax, the merchants on the Saskatchewan side find it almost impossible to collect sales tax at all from their customers. The law requires them to collect — yet if they try to do so, customers will walk across the street and buy in Alberta. As a consequence, the tax which the merchants pay to the province constitutes a very heavy burden on the profits of the firms, and, to the extent that the Saskatchewan tax laws are enforced, will inevitably, in time, force transfer of the bulk of retailing to the Alberta side. In recent years the Alberta portion of the town has grown much more rapidly; the trend is attributed by local residents in large measure to the sales tax. Comparable situations are encountered, although to lesser degree, in Hull, Quebec, and Sackville, New Brunswick. They are inevitably multiplied many times with widespread local sales taxes.

The net effect upon location of course depends upon the tax rate; fractional rates in many cases will not be of much significance, whereas a 2 or 3 percent rate may cause many customers to shift, with consequent relocation of retailing activity. The effect will be greater in lines of retailing in which the average size of purchase is large than in those in which it is small. The nearness of shopping areas in which there is no tax is likewise significant, as well as the extent to which families in the tax area have automobiles.

While the effects are likely to be most significant in retailing, manufacturers are likewise given incentive to locate plants outside of city limits; by so doing they can avoid local sales taxes on machinery and other taxable goods which they purchase. The dollar saving, for large plants, may be quite significant.

Thus the net effect of local sales and excise taxes is a distortion of the location of economic activity away from optimum patterns. Development outside of the urban areas is encouraged, and that within the tax areas discouraged, with serious financial injury to merchants now located in the tax areas. The relative decline in the urban area aggravates the financial problems of the cities, as both the sales and property tax bases are reduced, while governmental costs are likely to remain the same; still higher tax rates are required, and a vicious spiral may be introduced.

The basic economic difficulties which arise from local sales taxes are due to the fact that the areas covered by these taxes constitute only portions of market areas. When some competing firms are subject to tax and others in the same market area (but outside the taxing area) are not, incentive is given for the transfer of economic activity out of the tax area; firms inside are injured and those outside aided. Provincial and state sales taxes in some instances create the same type of transfer. But the overall effects, compared to those of local sales taxes, are much less because to a much lesser relative extent market areas are split by governmental boundaries.

MUNCIPAL EARNINGS TAXES

Local earnings or income taxes, used, incidentally in Canada long before they were adopted in the United States, but now nonexistent in the former, may produce economic effects no less serious than those of local sales and excise taxes, although they are less harassing to the business community. If the taxes reach all income, persons are give strong incentive to move out of the city proper, a trend which aggravates the financial problems of the cities and creates new ones in the suburban areas. If the taxes are confined to labor income, as is typical in the United States, and collected on a withholding basis regardless of residence of the workers, this effect is eliminated. But an incentive remains for industrial plants to locate outside of the city, so that wages of workers and salaries of executives will be tax free, so long as the persons also live outside of the city. In addition, the inequity of taxing only labor income is so obvious as to condemn these taxes as significant sources of revenue. The fact that some cities have introduced them, despite their obvious political limitations, demonstrates the severity of municipal financial problems.

THE SOLUTIONS TO LOCAL FINANCIAL PROBLEMS

The source of most of the financial difficulties of the municipalities lies in the fact that the taxes which these units can administer effectively and employ without serious adverse economic effects are inadequate, in terms of accepted standards of equity and the political environment, to finance the activities which can be most effectively performed by the local governments. Some improvements in the property tax would allow greater revenues from this source, but the basic limitations of the tax make it impossible to raise adequate funds from this source in most cities. Various business taxes are inclined to be discriminatory, retard economic development, and frequently have little justification on either ability or benefit principles As indicated, locally imposed sales, excise, and earnings taxes have serious consequences. What other solutions may be found?

One of course is the transfer of functions from the local units to higher levels of government. But there are many objections to carrying the process of centralization of government farther than is required by other considerations; functions are performed by officials remote from the community; the evils of bureaucracy and red tape are multiplied. The complexity of modern society requires that many functions be centralized in the interests of efficiency; it is highly undesirable to transfer upward those functions which still can be performed effectively at lower levels. But since the local units cannot finance these activities by suitable taxes, some method of sharing revenues collected by the provinces and states with the localities is essential.

One method of providing financial assistance to the localities is through the use of grants in aid. For particular purposes these grants have very substantial advantages. But they also have limitations; particularly they result in increased control by the larger units over the policies of the smaller, with consequent loss of autonomy by the smaller units. This is not to argue against the use of grants, but to suggest that there are limits beyond which they should not be extended.

The alternative, and one of particular significance with respect to sales and excise taxes, is the collection of a larger tax revenue from the provincial or state sales or excise tax, and the distribution of this amount to the municipalities, on the basis of the origin of the tax receipts, or some modification thereof. For exemple, if such a system were adopted in Qubec, the present municipal and school district sales taxes would be eliminated; the provincial tax would be raised to 5 percent, and the additional amount shared with the local units. Dixwell Pierce has stressed the administrative advantages of such a system over independent local imposition of sales and excise taxes [2]; the advantages from the standpoint of effects upon vendors, and of general economic effects are no less significant. The tax rate would be uniform throughout the province; all of the headaches created for vendors by separate non-uniform local taxes would be avoided, as well as the artificial distortion of location.

Against this proposal two primary arguments have been raised. The first may be called the "home rule" argument. It is maintained that local sovereignty and financial responsibility can be retained only if the imposition of sales and excise taxes remains in local hands. It is argued that state or provincial imposition of the taxes results in increased dependence of the local units upon the state or province; that waste would be increased because the responsibility for the levying of the tax would no longer be in the hands of the unit spending the money. This argument is to be found in speeches of Quebec officials, for example, and in the publications of the League of California Municipalities.

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[2] "What Price City Sales Taxes", address to Fifth Annual Conference, Institute of Public Administration of Canada, 1953.

The home rule argument can easily be exaggerated. If the financial situation is such that most municipalities in a state or province are using sales taxes, or a particular form of excise tax, little real loss in autonomy occurs if the tax is shifted to the provincial level. In Quebec for example 88 percent of all sales are now subject to the full 5 percent rate; all larger municipalities are using the tax, with minor exceptions such as the provincial-border city of Hull. Elimination of the local taxes and replacement of them by a uniform provincial levy for local purposes would not as matter of fact lessen local autonomy; the present "choice" of the use or rejection of the tax is not a very real one, as circumstances have compelled virtually uniform adoption of the tax by the cities. The situation in California is much the same; this would be the case elsewhere also had not other states and provinces provided greater grants or revenue sharing systems. The danger of greater waste of provincially-collected funds is not likely to be great; responsibility for the collection of the marginal taxes — to cover the excess of expenditures over provincial grants and shared revenues — rests with the locality. The more of the provincially collected revenue that is wasted, the higher must be the locally administered taxes.

The second objection is the claim that some municipalities, especially in rural areas, would receive more revenue than they require, persons making purchases in these areas would be compelled to pay a sales tax which the units do not actually need for revenue. However, the receipt of the sales tax money would enable these jurisdictions to reduce other taxes, or give improved services. When local sales taxes are widespread, many persons buying in the non-tax areas are either deliberately avoiding tax or are escaping tax which they should logically pay to the jurisdiction in which they live or work.

While these two arguments are not without some weight, they would not appear to be of sufficient magnitude to justify the administrative waste, adverse economic effects, and burden to the business community which inevitably result from the use of separate local sales and excise taxes. The arguments would be significant if only a few municipalities in a province or state required the revenue; it would be absurd to levy a provincial or state tax to meet the problems of only a few areas. But the significance is lost when virtually all municipalities require either use of the taxes or revenue from a provincially collected tax.

In conclusion: the basic financial problems of municipalities arise out of the fact that the revenue sources which they can administer satisfactorily without disastrous economic effects cannot be made to yield adequate revenues to meet present financial needs, at rates which are politically tolerable and acceptable from the standpoints of equity and economic effects. If, in the interests of financial autonomy and independence of the local units, these units are to be allowed to develop their own sales, excise,and earnings taxes, the price which will be paid, in the form of administrative costs, problems and financial burdens for the vendors, and adverse economic effects, will be very substantial. The real question is: are these costs justified by the rather nebulous gains of financial autonomy? The sharing of the revenue of somewhat higher-rate provincial or state imposed and collected taxes avoids these effects, and sacrifices very little in the way of loss of local autonomy, much less than that which results from the alternative policy of greater grants in aid.

EFFETS ECONOMIQUES DES IMPOTS SUR LE REVENU OU SUR LE CHIFFRE D'AFFAIRES ETABLIS PAR LES POUVOIRS LOCAUX

PAR LE PROFESSEUR JOHN F. DUE

RÉSUMÉ

Aux Etats-Unis, les pouvoirs locaux ont une tendance marquée depuis ces deux dernières décades à établir des impôts différents des impôts fonciers traditionnels, parce que le produit de ceux-ci est devenu insuffisant pour parer à l'augmentation des dépenses indispensables. Des taxes locales sur les ventes sont actuellement perçues par environ 200 villes aux Etats-Unis. Ce système a d'abord été appliqué en Californie et dans la plupart des villes du Quebec. Des impôts locaux sur les revenus, limités en grande partie aux revenus professionnels, sont perçus par de nombreuses villes de l'Ohio, de la Pensylvanie et de quelques autres états également.

La taxe sur les ventes a des effets manifestement indésirables. En effet, la ville est une entité géographique trop petite pour pouvoir percevoir efficacement une telle taxe sans que cela n'entraîne des répercussions économiques nuisibles, évitées généralement lorsque la taxe est perçue dans un ressort plus étendu. Cette taxe est la cause de difficultés nombreuses pour les détaillants, qui doivent appliquer des taux différents selon la résidence de l'acheteur et tenir note des ventes aux différents taux. Cette imposition locale a eu pour conséquence d'augmenter substantiellement les frais de ventes. Un plus grand nombre de clients veulent que leurs achats soient fournis à domicile, parce que la taxe locale ne s'applique pas aux fournitures délivrées à une adresse hors de la ville. Un impôt local encourage les personnes à procéder à leurs achats à l'extérieur de celle-ci, ce qui tend à provoquer un changement dans la localisation du commerce au profit de la banlieue extra-urbaine. Si les achats se font facilement dans celle-ci, il devient presqu'impossible pour les commerçants de la ville de porter cette taxe à charge de leur client.

Un impôt ne peut être établi de manière efficace sur les revenus de la fortune acquise. Les impôts sur les revenus frapperont donc surtout les revenus professionnels. De tels impôts, non seulement sont fort injustes, d'après nos conceptions traditionnelles, mais ils encouragent les habitants à quitter la ville et les industries à s'établir en dehors des limites de celle-ci. Cette tendance aggrave encore le problème de l'équilibre financier des municipalités.

Il existe plusieurs solutions à ces difficultés financières permettant d'éviter l'emploi de taxes mal appropriées. Les subventions condi-

tionnelles employées largement aux Etats-Unis et au Canada, ont le mérite substantiel de fournir une aide, accordée pour des fins bien déterminées, mais si ce système devait se généraliser l'autonomie locale en souffrirait fortement. Une alternative suscitant moins d'ingérence dans l'autonomie locale, consisterait à augmenter le taux des impôts de l'Etat ou de la province sur le chiffre d'affaires ou sur les revenus, et de répartir le produit supplémentaire aux pouvoirs locaux, sur la base du lieu d'origine de la recette. Les avantages de ce système de partage des revenus, qui solutionnerait, partiellement tout au moins, les difficultés financières des pouvoirs locaux, semblent avoir plus de poids que les inconvénients qu'on peut lui opposer: l'ingérence dans l'autonomie des pouvoirs locaux — et le droit de la localité de lever et de percevoir les impôts qu'elle juge utiles. Ce droit à l'autonomie locale est plus imaginaire que réel en ce qui concerne ces impôts, lorsque les circonstances obligent les pouvoirs locaux à se servir de ceux-ci pour se créer des revenus.

A SURVEY OF STATE BUDGET AGENCIES [1]

BY FRANK M. LANDERS AND HOWARD D. HAMILTON

Budget Division, Michigan Department of Administration

Most state governments established formal budget systems in the period 1917 to 1921 and hence have had a generation of budgeting experience [2]. During the thirty year interval the concept of budgeting has steadily broadened. At first it was essentially a biennial or annual compilation of revenue, expenditure, and appropriation data in order to bring some order out of chaos, to enable officials and the public to view for the first time the entire financial picture, and to achieve a "balanced" budget. The latter concern led to the development of budgetary controls, necessitating central accounting systems, periodic and frequent financial reporting, and year around work by budget offices.

In the 1930's the demands of the "positive state" and the social climate produced a spectacular emphasis upon governmental planning, upon coordination of the activities of agencies and governments, and upon central direction by a strong chief executive. These conditions and needs combined with academic speculation to open up new vistas in budgeting. The budget came to be seen as not merely a compilation of dollar signs but as the master plan of government operations. And the budget agency began to be conceived as the chief executive's foremost instrumentality for central planning, for achieving planned objectives through positive direction of the administrative apparatus, and for keeping well informed on administrative developments.

During the last decade another dimension has been added to budgeting by the increased concern for "scientific management". In many states, the budget agencies appeared to be the logical places to assign responsibility for general oversight of administrative efficiency throughout the government and for sustained surveys and studies to make improvements. Moreover, many jurisdictions have seen fit to vest various housekeeping functions in budget agencies.

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[1] The information contained in the tabulation included herein was collected by questionnaire and from budget documents and statutes. Although the data suggest a number of speculative subjects, the writers have studiously (albeit somewhat reluctantly) eschewed such discussion. Instead an effort has been made to limit the comments to a bare description and summation of the facts contained. It is hoped that this material will be of interest and assistance to those interested in state budgets and administrative organization.

[2] Adoption dates are tabulated by J. Wilner Sundelson, *Budgeting Methods in National and State Governments* (Albany, -938), pp. 8-9.

How are state budget agencies organized to perform these duties? Have they kept pace with the expansion of budgetary theory? How well are they staffed? Much has been written about the merits of the executive budget, the budgetary calendar, the legislature's role, and budgetary problems, but scant attention has been given to budget agencies. Manifestly, the budget process is a chain which can be no stronger than its budget office link.

The tabulation below shows the position of the budget agency in the administrative structure of each state; the internal structure of each budget agency, which in turn indicates the functions performed by each; the size of each agency in terms of positions; the financial resources of each one; the trained, professional personnel and their respective rates of compensation.

At least the semblance of a budget office exists in all but four states. In Arizona and Vermont, agency requests and expenditure data are collected by the state auditor on behalf of the governor, or governor-elect, for his presentation of a budget to the legislature. In South Dakota the budget is prepared by the secretary of finance with his office staff, and in Wyoming the governor personally prepares the budget.

In state government organization charts budget agencies are found in three locations: as a bureau in the office of the governor, as a division in a department of finance or administration, or as a separate department or office. Seven agencies are bureaus in the executive office, twenty-five are divisions in a department of finance or administration 3), and twelve have independent status in law or name, although some of these appear to operate as a branch of a finance department or the governor's office. In some states the independent status of the budget office is attributable to the fact that the budget authority is vested in a board rather than the governor. One might expect budget agencies to be located in the executive offices of small state governments, but this group includes New York and Pennsylvania. There is no correlation between state government size and location of budget offices.

Recently, there has been a distinct trend toward locating the budget office in a department of finance or administration, thereby grouping it with the other staff functions, the other "tools of management". In such departments the commissioner or controller usually is the official budget officer, but because of his many duties, day-to-day operation devolves upon the director of the budget division. Although the budget division usually is one of the smallest

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3) In Missouri and Nebraska budgeting is located in revenue departments.

divisions in such departments, frequently it is the most influential division because it deals with broad policy problems.

The statutes of most states require budget agencies to furnish information and assistance to legislatures, particularly the standing appropriation committees, however the budget agency is primarily the instrument of the budget-recommending authority. That authority is the governor in 38 states whose statutes prescribe the executive budget system, in the strict sense of that term. In five states — Delaware, Florida, Mississippi, Texas and West Virginia — the budget agency serves an administrative board consisting of the governor and three or four other elective officials, usually the comptroller, treasurer, and revenue commissioner. The Arkansas and Montana statutes direct the comptroller to prepare a budget, including recommendations, and submit it directly to the legislature.

The legislative budget, in the strict sense, no longer exists, but in three states the budget boards contain legislators as well as administrators. In North Dakota and South Carolina the chairmen of the finance committees are ex-officio members. The Indiana State Budget Committee consists of the budget director and four legislators appointed by the governor. This appears to be the nearest approximation to a legislative budget 4). In some states legislators serve on advisory budget committees and in other states, notably New York, they participate in budget hearings conducted by the budget office 5).

Comparison of the relative strength of state budget agencies is complicated by variations in their functions and composition. In states where the budget agency is an independent department it frequently performs central accounting, a requisite for budgetary control, whereas in those states with departments of administration or finance that is done by an accounting division. Some agencies perform other central staff functions: purchasing in Maryland, building and grounds in Virginia, and personnel in some states. Accounting systems survey work is performed by the California budget division and construction planning is done by the New York budget division, whereas in Michigan these are performed by the sister divisions of accounting and building.

These complications, however, do not obscure the fact that the budget divisions of California and New York, in respect to size, are the elite and tower head and shoulders above the field. In fiscal 1952 their respective complements were 88 and 82 and each had

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4) With the exceptions herein noted, the table "State Budget Making: Legal Provisions," *Book of the States,* 1948-49, pp. 183-89, still is accurate.

5) Frederick C. Mosher. "The Executive Budget, Empire State Style," *Public Administration Review,* vol. XII, no. 2, p. 75.

over 50 professional grade positions. The California agency concentrates on budget and management analysis, the respective sections containing 46 and 34 positions. The New York budget division performs additional functions: construction engineering and planning, personnel, office services, and research. Indeed it is virtually a department of administration.

Excluding personnel engaged in non-budgeting activity, the Michigan Budget Division with a professional staff of 15 appears to rank third in strength, followed by the agencies in Maryland and Washington. Relative to the size of their respective state governments, strong, well-staffed agencies exist in Connecticut and Rhode Island. Substantial agencies also exist in Illinois, New Jersey, Pennsylvania and Minnesota, North Carolina and West Virginia. Taking into consideration the relative size of state governments, the 44 budget agencies may be ranked in four categories: the elite, 2; comparatively strong agencies, 5; fairly substantial agencies, 12 or 13; small embryonic agencies, 23 or 24.

The foregoing ranking involves some judgment, but it appears incontrovertible that less than half of the states have budget agencies anywhere near adequate to their needs and to the broad role ascribed to budgeting by modern political thought. Only two states are equipped to fully realize the potentialities in budgeting.

Several agencies have been strengthened during the past few years and two have made spectacular advances. Since 1948 the Kentucky Budget Division's operating appropriation has tripled, an administrative management unit has been added, and now the Division is attempting to develop a "performance" budget. The staff of the North Carolina Budget Bureau has doubled since 1947 and its operating appropriation has tripled.

The budget laws of nearly every state charge the budget agency with the conduct of a continuous program of scientific management, to "survey and examine the administrative organization and operations of the state departments, boards, bureaus, commissions, institutions and offices, submitting to the governor measures to secure greater administrative efficiency and economy, to minimize the duplication of activities, and to effect a better organization and consolidation of functions among state agencies" 6). The accompanying table indicates that most of these provisions are aspirations rather than realities. Only New York and California are equipped to do such a job. Small administrative management sections exist in Connecticut, Kentucky, and Rhode Island. This does not imply that no such activity occurs elsewhere. Michigan has followed the policy of having such work done by its examining staff (and by the

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6) Michigan Compiled Laws of 1948, sec. 18.4.

office services and accounting divisions). But in few states are examining staffs large enough to allow much time for administrative studies and surveys.

It is equally claer that performance budgeting is still only an aspiration, because the development and application of standards and work units requires much spadework and greater effort by examining staffs than does conventional budgeting. Few states, if any, are adequately staffed for program budgeting, although Kentucky, Maryland, Oklahoma and Michigan are working toward it.

The salaries of the New York budget division are distinctly superior to those in other states. There junior examiner salaries equal those of budget directors in some states. Very good salary levels prevail in the agencies of California, Michigan, Maryland, Connecticut, Massachusetts and Rhode Island. A third level of moderately good salaries prevails in Oregon, Washington, the other north central and eastern states, North Carolina and Florida. Except in the Pacific coast states, North Carolina, and Florida, the salaries of civil servants, including budget personnel, are low in the regions west of the Mississippi and south of the Potomac and Ohio. Some are incredibly low, even in some western states which have moderately high per capita incomes.

There appears to be a trend toward supplementing the budget examining staff by the addition of a few technical specialists, particularly engineers and farm and institutional management specialists. The Maryland budget staff includes a mechanical and a civil engineer and a farm management adviser. The New Hampshire agency has a farm supervisor and an institutional management supervisor. The North Carolina budget bureau has an engineering division and the New York budget division contains architectural and engineering units. The capital outlay examiner in the Michigan budget division is an engineer, another examiner is an institutional management expert, and an institutional dietetics consultant is retained. This trend recognizes that budget examiners, usually possessing a broad training in political science, public finance, and administration, cannot be omniscient. However such technical specialists need not be within the budget agency. In states with well developed departments of administration or finance such advice and assistance is furnished the budget division by other divisions of the department.

STATE BUD

State	Agency	Sections	Pos
Alabama	Budget Division, Department of Finance	None	
Arizona	None 1)	—	—
Arkansas	Budget Division, State Auditorial Department	None	
California	Budget and Accounts Division, Department of Finance	Administration Budget Analysis Financial Research Management Analysis	
Colorado	Unit of Division of Accounts & Control	None	
Connecticut	Budget Division, Department of Finance and Control	Adm. & Statistical Budget Examination Management Survey Hospital Cost Analysis	
Delaware	Permanent Budget Commission	None	
Florida	Budget Commission	NA	
Georgia	Budget Division, Department of Audits and Accounts 3)	NA	
Idaho	Bureau of the Budget, Office of the Governor	None	

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1) Post Auditor collects agency requests for the Governor who transmits them to the Legislature, along with his recommendations.

2) Includes 3 management interns for 3 months annually.

NCIES

Salaries		Appropriations or Expenditures		
or	Examiners and Other Professional ($)	Period	Salaries ($)	Total ($)
	None	1950-51	15.000	16,650
	—	—	—	—
	examiner: 3,900	1951-52	10,300	NA
	section chiefs (3): 10,221 senior (5): 7,340 associate (14): 5,600 assistant (5): 4,400 senior adm. analyst (2): 7,500 assoc. adm. analyst (6): 5,700 asst. adm. analyst (3): 4,450 senior research tech.: 6,812 assoc. research tech.: 4,980 junior research tech.: 3,555 systems accountant: 8,112 principal accountant: 7,728 senior accountant (9): 5,000	1951-52	445,885	478,791
	analyst (2): 4,740—4,320	1950-51	17,190	NA
	senior (4): 5,640—6,840 mgt. analyst (3): 5,640—6,840 hospital analyst: 6,040—7,260 asst. director: 6,040—8,040	1951-52	65,300	68,184
	accountants (9): 4,150	1951-52	47,000	58,200
	examiner: 5,400 asst. director: 7,200	1951-52	30,000	37,500
	NA	1951-52	NA	145,000 4)
	NA	1950-51	8,400	12,200

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3) Governor is ex-officio budget director and State Auditor is ex-officio assistant director.

4) Appropriation for entire department.

STATE BUDGET AGENCIES

State	Agency	Sections	Posit
Illinois	General Office Division, [5] Department of Finance	NA	NA
Indiana	Division of the Budget	None	7
Iowa	State Budget & Control of Receipts Section, Office of State Comptroller	None	4
Kansas	Department of the Budget	Budget Auditing & Accounting	NA
Kentucky	Budget Division, Department of Finance	None	12
Louisiana	Division of Administration, Executive Department [5]	NA	NA
Maine	Budget Bureau, Department of Finance	Office Examining	3 4 7
Maryland	Department of Budget and Procurement	Budget Purchasing	20 30 50
Massachusetts	Budget Bureau, Commission on Administration and Finance	Examining Clerical	6 2 8
Minnesota	Budget Division, Department of Administration	None	10

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[5] Performs central accounting & other functions in addition to budgeting.

[6] Indicates salaries only; number of examiners unknown.

[7] Estimate of biennial cost of budgeting function contained in 1951-53

Salaries		Appropriations or Expenditures		
tor)	Examiners and Other Professional ($)	Period	Salaries ($)	Total ($)
get er- r: 0- 0	examiner II: 4,320—6,600 examiner I: 3,960—5,000 6)	1951-53	NA	125,000 7)
0	senior: 6,180 associate: 4,740 junior (2): 3,600—4,200	1951-52	32,140	43,000
p- er: 0	examiner (4 p.t.): 4,555 section chief: 5,040	1951-52	16,313 (est.)	NA
0	NA	1950-51	59,144	64,644
0	analyst II (4): 4,080—4,800 analyst I: 3,840 mgt. analyst (2): 3,840	1952-53	53,300	64,700
A	NA	1950-51	NA	186,050
6	examiner II: 5,252 examiner I (2): 4,368	1951-52	34,108	37,703
0	bureau chief: 9,450 analyst (3): 4,658—6,900 accountant: 4,658 building engineer (2): 7,800 farm adviser: 7,800	1951-52	202,386	235,921
0	senior (3): deputy commissioner: asst. to commissioner: 7,500 (est.)	1952-53	54,216	56,304
2	examiner II (4): 5,376—6,096 examiner I: 3,504—3,984 asst. director: 6,096—6,816	1952-53	52,176	68,425

Illinois Budget.

8) Section chief, clerk, and four examiners one-half time.

9) Plus part-time service of the Commissioner of Finance and Administration.

STATE BUDGET AGENCIES

State	Agency	Sections	Positi
Michigan	Budget Division, Department of Administration	Administrative Examining Budget Execution Research and Budget Preparation	6 9 3 4
			25
	Accounting Division [11]		90
Mississippi	State Budget Commission	None	6
Missouri	Budget Section, Division of Budget & Comptroller, Department of Revenue	None	4
Montana	Budget Division, Office of State Controller	None	6
Nebraska	Office of Tax Commissioner & Budget Control	NA	N
Nevada	State Budget Director, Office of the Governor	None	2
New Hampshire	Division of Budget & Control, Department of Administration and Control	NA	N
New Jersey	Division of Budgeting & Accounting, Treasury Depart.	Inst. & Agencies Education & Cons. Highway Administrative	6 2 2 6
			16

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[10] Subsequently classified as an executive VII position, $ 10,656—$ 12,576.

[11] Included for purpose of comparison with those state budget agencies which perform central accounting.

[12] Agency also has a part-time associate examiner.

[13] Positions in Budget Section only.

[14] Salary of the Comptroller and Budget Director.

[15] Same staff also does accounting.

Salaries		Appropriations or Expenditures		
ctor)	Examiners and Other Professional ($)	Period	Salaries ($)	Total ($)
010)	senior V: 7,188—9,108 senior IVA: 6,480—7,632 associate IV (5): 5,904—7,056 junior II: 4,032—4,812 analyst V: 7,188—9,108 analyst III: 4,848—6,000	1951-52	107,870	120,070
	technician (4): 4,032—4,812	1951-52	311,415	401.510
0	senior: 4,800 assistant: 4,000 12)	1952-53	32,700	40,333
014)	4,980	1951-52	12,500	22,500
0	None	1951-52	22,740	28,060
0	NA	1949-51	NA	30,000 16)
0	3,245	1951-53	19,630	23,120
017)	inst. mgt. supervisor: 5,100 farm supervisor: 4,600	1951-52	22,280	25,480
018) ty tor: 0	chief analyst: 8,400 analyst I (2): 6,420 analyst II (2): 5,340 senior examiner (2): 5,100	1950-51	81,004 19)	90,498 19)

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16) Salary of the Tax Commissioner & Budget Director plus appropriation of "$ 20,000 for a budget director & assistants in assisting the Governor in making a budget."

17) The Comptroller is director of the Budget Division as well as department head.

18) Salary of Division Director.

19) Includes office of the Director but not office of Assistant Director, both of which relate to all functions of the Division.

STATE BUDGET AGENCIES

State	Agency	Sections	Positi
New Mexico	Office of Budget Director 20)	None	4
New York	Budget Division of Executive Department	Personal Service	4
		Budget Examination	26
		Engineering	11
		Planning	6
		Research	12
		Adm. Management	10
		Office Services	23
			82
North Carolina	Budget Bureau, Governor's Office	Budget	15
		Engineering	10
			25
North Dakota	State Budget Board 21)	None	2
Ohio	Division of Administration, Department of Finance	NA	N
Oklahoma	Office of the Budget Director	Administrative	3
		Budget	8
		Accounting	21
			32
Oregon	Budget Division, Department of Administration	None	7
Pennsylvania	Budget Bureau, Governor's Office	None	18
Rhode Island	Budget Division, Department of Administration	Operation (Exam.)	3
		Personnel (Exam.)	3
		Administrative and Financial Research	6
		Clerical	6
			18

20) Apparently operates as a division in the Office of Comptroller, (the finance department). The Comptroller has budgetary control authority.

Salaries		Appropriations or Expenditures		
or	Examiners and Other Professional ($)	Period	Salaries ($)	Total ($)
	assistant director: 5,000 assistant director and analyst: 4,000	1950-51	10,800	15,000
:	sec. chief (7): 11,500—13,500 principal (5): 7,300—9,168 associate (12): 7,200 senior (11): 6,605 examiner (3): 4,836 junior (6): 3,740—4,176 assoc. anal. (2): 7,300 senior anal. (2): 6,400 analyst (2): 4,900	1951-52	502,401	595,917
	Prin. adm. asst. (2): 6,640—8,460 Sen. adm. asst.: 5,964 farm mgt. spec.: 6,124 analyst (): 5,400—6,730 engineer (7): 3,900—8,100	1951-52	133,605	159,556
	None	1951-52	8,400	12,550
-	NA	1950-51	85,966	104,668
nt or:	principal (2): 4,200 associate (3): 3,900	1951-52	14,400 26,700 60,200 101,300	137,800
	accts. exec. II: 5,304—6,384 accts. exec. I: 4,368—5,304 accountant II: 3,708—4,548	1951-52	32,200	39,075
	NA	1951-52	77,256	86,046
-	senior (3): 5,890 assistant (3): 4,073 section chief: 5,700 prin. adm. analyst: 4,860 senior adm. analyst (2): 3,900 adm. analyst (2): 3,000	1951-52	69,040	78,020

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21) Ex-officio body composed of the governor, attorney general, auditor, and chairman of house and senate appropriation committees.

STATE BUDGET AGENCIES

State	Agency	Sections	Posit
South Carolina	Finance Division, State Budget and Control Board [23]	NA	N
South Dakota	Department of Finance	None	Pa tin
Tennessee	Department of Budget	NA	N
Texas	Division of Estimates & Appropriations, State Board of Control	None	4
Utah	Budget Division, State Finance Commission	None	2
Vermont	None [26]	—	
Virgina	Budget Division of Governor's Office	Administration	3
		Institutional	
		Engineering	22
		Records Management	4
		Building Maintenance	35
			64
Washington	Office of the Director of the Budget	Administration	2
		Pre-Audit	18
		Mgt. & Tax Analysis	2
		Budget and Reports Prep.	8
			30
West Virginia	Office of the Director of the Budget	Budget	19
		Inventory Control	6
			25
Wisconsin	Department of Budget and Accounts	Administration	
		Budget & Statistics	
		Accounting & Reporting	(1
		Pre-Audit & Warrant Preparation	(1
		Est. Budget Personnel	
		Est. Acctng. Personnel	(3
Wyoming	None [27]	—	—

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[22] Salary of the State Auditor who is director of the Finance Division.

[23] The Division's predominant function is auditing; all professional personnel are auditors. The Budget and Control Board is an ex-officio body composed of the governor, treasurer, comptroller general, and chairman of senate finance and house ways and means committees.

[24] Secretary of Finance prepares budget with his office personnel.

	Salaries	Appropriations or Expenditures		
tor	Examiners and Other Professional ($)	Period	Salaries ($)	Total ($)
022)	None	1951-52	49,964	83,692
0	None	—	—	—
0	NA	1950-51	17,300	23,000
0 ant tor: 0	None	1950-51	22,960	25,000
0	4,500	1951-52	25)	25)
	—	—	—	—
0	None	1951-52	249,855	391,030
0	senior (6): 4,692 junior (4): 4,116 assistant (3): 3,312 section chief (2): 5,586 adm. & tax analyst: 8,500	1951-53	228,840	314,340
0	analyst (2): 4,500 senior accountant: 4,000 asst. director: 5,000	1950-51	59,405	69,655
0	senior: 6,000 associate (2): 5,000 supervisor of budgets and accounts: 8,800	1952-53	158,568	176,243
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25) Budgeting costs are not segregated from other expenditures of the Department of Finance.

26) Auditor and Treasurer collect expediture data and departmental requests on behalf of the governor-elect for his preparation of a budget.

27) The Governor personally performs the function with the assistance of his personal secretary who is designated assistant budget officer.

THE U.S. FEDERAL DEBT — A CORRECTION

BY URSULA K. HICKS

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In a recent number (Vol. 8 No 1.) of „Public Finance" I inadvertently stated that the U.S. Federal debt had doubled since the war; for this foolishness I was promptly — and very properly — pulled up by Mr Raymond E. Manning, of the Library of Congress. In fact between June 1945 and June 1953 the debt increased only from 258.7 bn to 267.2 bn. What I really had in mind was the doubling of the federal dept, from roughly 20 bn to 40 bn, in the interwar period. The actual figures however were merely subservient to my argument that onder the U.S. constitution it is difficult to secure an adequate budget surplus if a compensatory fiscal policy requires one. It is of course not easy to do this under any constitution; no one likes paying extra taxes merly for the fun of having a surplus. My contention merely was that (other things being equal) there are aspects of the U.S. constitution which make it more difficult to carry through a consistent surplus policy than, say under the British system.

First of these aspects I would place the absence of that form of cabinet government which makes the majority in Parliament responsible for carrying through the budget plan from beginning to end. No criticism of the American system is of course intended; the fact that in certain conditions it may be too easy to get things through the British Parliament may be just as disastrous. The second aspect, and by far the more important to my mind, is the absence in the U.S. of anything corresponding to S.O. 78, which in its present form reads:

> "The House will receive no petition for any sum relating to public service or proceed upon any motion for a grant or charge upon the public revenue, whether payable out of the Consolidated Fund or out of money to be provided by Parliament, unless recommended from the Crown".

"The Crown" of course implies the majority in Parliament, which forms the government. It is this standing order which makes it impossible for the budget plan to be inflated during debate without adequate tax coverage.

If further support for these arguments is required it can easily be obtained. Take the present budgetary situation in the U.S., where Congress has achieved the inconsistency of voting more taxation than can be covered by expenditure, and at the same time for-bidding the tide of the federal debt to rise. In this Canute situation something must give, and it may be surmised that it will not all be on the expenditure side. Another interesting illustration is provided by the constitution of the Republic of Western Germany, where a compromise solution was attempted. Individual members may suggest additional expenditure, but must at the same time propose additional taxation to cover it. As might be supposed the latter provision has proved quite unworkable; anyone can think up a tax when he has no responsibility for administering it. With this provision the government can never be sure of carrying its budget plan. However under its constitution the government is forbidden to run a deficit, (hence it has been denied proper powers of exercising a compensatory policy.) When expenditure runs ahead therefore additional taxes must be imposed *ex post* a most unsatisfactory way of doing things.

BOOKREVIEW/CRITIQUES

Premiers éléments d'une Comptabilité nationale de la Belgique 1948-1951, par le Groupe d'études de la Comptabilité nationale Université de Bruxelles - Institut de Sociologie Solvay. [1])

Alors que, depuis plusieurs années, de nombreux pays occidentaux tiennent une comptabilité nationale, la Belgique ne disposait jusqu'à présent que de statistiques macroéconomiques, limitées à certains aspects ou domaines de la vie économique, sans aucune liaison entre elles. Malgré ces travaux et une profusion de statistiques microéconomiques, aucun essai n'avait été tenté en vue d'aboutir à l'établissement d'une comptabilité nationale. La question était bien connue, théoriquement du moins, mais les déficiences statistiques, le manque de coordination des données existantes, certains scrupules dus à un souci de perfection, parfois même la crainte de voir un tel outil être utilisé à des fins de politique dirigiste, avaient empêché l'éclosion de tout essai en la matière.

Cette lacune vient d'être heureusement comblée, grâce aux efforts d'un groupe d'études, formé de chercheurs privés, de l'Université Libre de Bruxelles. Fondé au sein de l'Institut de Sociologie Solvay, en janvier 1951, ce groupe se donna pour mission de réunir les données disponibles en Belgique, de les compléter par ses travaux propres et de dresser une comptabilité nationale en partie double. Sous la présidence de *M. E. S. Kirschen,* professeur à l'Université Libre de Bruxelles, une dizaine de spécialistes [2]) travaillèrent durant plus de dix-huit mois à cet objectif et c'est la première partie de leurs recherches qu'ils publient aujourd'hui.

Cette première partie, selon les termes de leurs auteurs, se borne à un exposé qui montre comment s'enchaînent les principaux tableaux de la comptabilité nationale et qui tire quelques conclusions sommaires de l'examen des données numériques recueillies pour la période de 1948 à 1951.

La deuxième partie, qui paraîtra ultérieurement, se présentera sous forme de fascicules qui développeront avec le souci de la rigueur scientifique, les données de la première partie.

Le plan de l'ouvrage est clair et logique. Après un chapitre introductif montrant les origines et les usages de la comptabilité nationale, une description du mécanisme de la comptabilité nationale est donnée dans le chapitre II. Les chapitres III, IV et V traitent du Produit

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[1]) Les Editions de l'Institut de Sociologie Solvay — Bruxelles 1953 — 224 pp. — 250 FB. — C.C.P. 1048.59 de l'Université Libre de Bruxelles.

[2]) *J. P. Boulenger — C. Carbonelle — V. A. De Ridder — C. Duprez-Reichert — E. Esch — M. Frank — G. Ilegems — J. Poelmans — M. Toussaint.*

National Brut envisagé successivement sous l'angle de la production des dépenses et des revenues. Enfin, les chapitres VI à X sont consacrés à la description des principaux tableaux que l'on peut extraire de la comptabilité nationale, en vue de mettre en lumière les faits saillants de l'économie.

Le chapitre II constitue, à la fois, un exposé d'initiation et d'analyse, et une synthèse des travaux du groupe. Après avoir énoncé certaines généralités sur la comptabilité nationale, les auteurs démontent, pièce par pièce, le système qu'ils ont bâti, s'arrêtant sur chacun des secteurs (Entreprises, Etat, Particuliers, Reste du Monde) et flux comptables retenus; puis ils présentent au lecteur différents tableaux qui reprennent, pour l'année 1950, les opérations de débit et de crédit des cinq comptes de base de leur système, qui s'apparente au ,,système normalisé'' de l'O.E.C.E.: compte des opérations de capital de la Nation, compte des opérations courantes des Entreprises, compte des opérations courantes de l'Etat, compte des opérations courantes des Particuliers et compte du Reste du Monde (balance des paiements). Ces cinq tableaux ne sont évidemment pas limitatifs, la comptabilité nationale permettant de dégager bien d'autres données. Celles-ci sont groupées dans une série de tableaux extracomptables que le lecteur trouvera dans les chapitres III à X et qui ont pour objet de mettre en lumière, de manière plus explicite que cela n'est possible dans les tableaux de base, les aspects les plus importants de la vie économique. Ce chapitre montre néanmoins comment il est possible de dégager à partir de ces tableaux les agrégats macroéconomiques les plus importants: Produit National Brut, Depenses brutes de l'Economie, Revenue National Net (au coût des facteurs), etc.

Le chapitre III est consacré à l'analyse de la production. Celle-ci est indispensable si l'on veut dégager, pour une année déterminée la contribution, au Produit National, des différentes braches de l'activité économique. Les auteurs soulignent la carence statistique, en la matière. L'évaluation des valeurs ajoutées par chaque secteur de production est, d'ailleurs, pour tous les pays occidentaux d'un calcul difficile sauf pour des pays comme les U.S.A. et les Pays-Bas qui disposent de statistiques de production très détaillées. à partir desquelles ils ont élaboré des matrices d' ,,Input-Output''. Néanmoins, le groupe d'études présente une estimation des valeurs ajoutées par les différentes branches de l'économie belge, classifiée suivant le système de la S.D.N. Ces valeurs ajoutées ont, toutefois, été évaluées ,,brutes'', au coût des facteurs, et non ,,brutes'' aux prix du marché car, il a été impossible de ventiler les impôts indirects. Comme ces valeurs, calculées pour les années 1948 â 1951, varient dans le temps en fonction des quantités et des prix, les variations quantitatives de ces valeurs et de leur total: le Produit National, ainsi que les variations des prix, ont été étudiées sous forme d'indices (1950 = 100).

En appendice à ce chapitre, figure l'inventaire de la population active. Si l'on rapporte l'indice quantitatif du P.N.B. à l'indice de la population active, on obtient un indice quantitatif de la production par personne active dont la croissance est significative du progrès économique.

Le chapitre IV est consacré à l'analyse des dépenses de l'économie, qui permet de mettre en évidence l'utilisation donnée aux ressources dont dispose la nation, au cours d'une année déterminée. La somme de la Consommation privée, de la Consommation publique et de la Formation intérieure brute de capital donne le montant global des Dépenses brutes de l'économie. A partir de cet agrégat on peut dégager le Produit National brut, si l' on y ajoute le solde „Exportations moins Importations". Le Produit National brut obtenu par cette méthode, qui a été estimée la plus satisfaisante par les auteurs, est comparé au P.N.B. calculé sous l'angle de la production et au P.N.B. calculé sous l'angle des revenus (chapitre V) et s'avère, constamment, légèrement inférieur au premier mais légèrement supérieur au second. Ce chapitre, ainsi que d'ailleurs la plupart des chapitres de l'ouvrage, est illustré de nombreux tablaux, diagrammes et histogrammes. Il se termine par une étude des variations quantitatives et de prix, des dépenses de l'économie.

Un appendice très intéressant étudie les divergences entre le système bâti par le groupe et le „système normalisé" de l'O.E.C.E. Les auteurs défendent leurs conceptions et montrent quels auraient été les résultats obtenus en ce qui concerne le Produit National et ses composants, s'ils avaient suivi ce système.

Le chapitre V est consacré à l'analyse des revenus. Cette méthode est employée depuis longtemps pour calculer le Revenu national (net au coût des facteurs). Si l'on ajoute à cet agrégat les provisions d'amortissements et les impôts indirects (moins les subventions) on obtient le Produit National Brut. L'estimation de cette donnée suivant cette méthode souffre, toutefois, du fait qu'elle est basée sur l'évaluation de grandeurs dont la détermination est plus hasardeuse que celle des grandeurs qui interviennent dans l'analyse de la production et celle des dépenses. Ce chapitre contient de nombreux tableaux concernant les revenues des particuliers, les rémunérations, des salaires, le Produit National brut, l'évolution du Revenu National. Il se termine par une étude comparative internationale du Revenu National par tête d'habitant. En appendice, une comparaison très intéressante est faite entre les estimations du Revenu National du Professeur *Baudhuin* et celles du groupe Solvay.

Au chapitre IV, la méthode suivie pour l'évaluation de la Consommation privée n'avait pas été précisée. Elle fait l'objet du chapitre VI. Les dépenses de consommation privée ont été classifiées suivant la liste préconisée par le „système normalisé" de l'O.E.C.E.; classification assez hybride, d'ailleurs, puisqu'elle est basée sur la nature des besoins satisfaits, tout en maintenant une certaine séparation entre biens et services. Les procédés employés pour l'évaluation de ces dépenses ont été inspirés, dans la mesure des possibilités, par ce qui se fait actuellement dans les pays où une comptabilité nationale est dressée. On se trouve, en tout cas, en présence du premier essai de calcul systématique de la Consommation privée à partir de ses composantes. Un tableau reprend les résultats de ce travail d'analyse, pour les années étudiées. Les tendances générales de la Consommation privée, la structure de cet agrégat, ses variations quantitatives dans le temps et l'évolution des prix de consommation sont, ensuite, longuement analysées.

Le chapitre VII est consacré aux recettes et dépenses du secteur Etat. Celui-ci inclut, en comptabilité nationale, les pouvoirs subordonnés et les parastataux administratifs de sécurité sociale, mais exclut les entreprises publiques. Théoriquement, les opérations de ce secteur sont les plus aisées à supputer. Toutefois, l'intégration des données de la comptabilité publique soulève différents problèmes techniques dont les principaux sont le mode d'imputation des dépenses publiques, la non-comptabilisation d'opérations ne se traduisant pas par des mouvements de numéraire (ex.: amortissements), la classification budgétaire actuelle, le fait que les budgets ordinaire et extraordinaire ne correspondent pas aux budgets des opérations courantes et des opérations de capital de la comptabilité nationale, le manque de renseignements en ce qui concerne les pouvoirs subordonnés. Pour arriver à dresser un compte des opérations courantes de l'Etat, les auteurs ont dû pallier ces carences de la comptabilité publique par des ajustements, des estimations et des reclassements des opérations publiques, suivant la nature économique de celles-ci. Tour à tour, chaque genre de dépenses et de recettes est analysé et de nombreux tableaux et histogrammes illustrent cette étude de l'aspect économique des opérations courantes de l'Etat. Le chapitre se termine par un calcul de la Formation brute du capital de l'Etat.

Un appendice traite de l'analyse des opérations courantes des sous-secteurs de l'Etat et un tableau regroupe les résultats obtenus par ces sous-secteurs. Un autre appendice est consacré aux opérations de la sécurité sociale. C'est une contribution intéressante à l'étude d'un des secteurs les plus compliqués et discutés de l'économie nationale.

Le chapitre VIII est consacré à la Formation intérieure de capital brute et nette. Il examine, d'abord, le problème de l'évaluation de la Formation brute du capital fixe qui peut faire l'objet de trois classifications: selon la nature des biens de capital fixe, selon les branches d'activité qui les ont engendrés et selon les secteurs où cette formation se manifeste. Cet agrégat ayant été estimé pour les années étudiées, les variations quantitatives et les variations des prix sont analysées séparément. Un sous-chapitre aborde, ensuite, le problème, très délicat, des Provisions d'amortissement dont l'estimation est nécessaire pour obtenir la Formation nette de capital fixe. Le dernier point examiné est celui de l'évaluation des Variations de stock dont le montant ajouté à celui de la Formation de capital fixe, donne le montant de la Formation intérieure de capital.

Le chapitre IX est consacré à la balance des paiements. Les transactions avec l'étranger font l'objet, depuis de longues années d'enregistrements détaillés et précis. Les statistiques publiées par la Banque Nationale sont excellentes et ont servi de base au travail, après avoir été regroupées et complétées pour certains postes qui échappent à l'intervention bancaire. Toutefois, ces données sont afférentes à l'Union Belgo-Luxembourgeoise et la balance des paiements de la Belgique a dû être dégagée, ce qui a été fait par estimation. Le rapport des importations et exportations aux ressources disponibles a été calculé et étudié. Enfin, une balance des paiements, à prix constants (1950) a été établie.

Le chapitre V étudie le financement de la Formation de capital. Le compte des opérations de capital de la nation est dressé en fonction de l'Epargne et de la Formation brute de capital (égale à la Formation intérieure brute de capital plus le solde de la balance des paiements ou Prêt net au Reste du monde). L'Epargne est évaluée suivant les méthodes de la Caisse générale d'Epargne et de Retraite, basée sur le regroupement des épargnes des différents secteurs. Pour l'épargne des entreprises et de l'Etat, le travail s'effectue pricipalement à partir de données comptables tandis que pour celle des particuliers elle est déterminée en fonction de l'affectation de l'épargne, c'est-à-dire des placements. L'écart observé entre le montant de l'Epargne de la nation ainsi calculé et celui qui résulte de la différence entre la Formation brute de capital et les Provisions d'amortissements fait l'objet d'un ajustement statistique.

Dans le chapitre consacré aux conclusions, les auteurs soulignent que si les résultats obtenus présentent des lacunes et des imprécisions, néanmoins, les marges d'erreur sont contenues dans des limites raisonnables et que, par ailleurs, leur oeuvre s'améliorera au fur et à mesure des travaux ultérieurs. Le groupe insiste tout particulièrement sur la nécessité impérieuse de doter la Belgique d'un appareil statistique plus étendu et mieux coordonné. Cet effort doit pouvoir s'accomplir avec la collaboration de tous les secteurs de la vie économique. Ce premier essai de comptabilité nationale est perfectible; toutefois, il permet déjà de dégager une vue d'ensemble, de l'économie belge au point de vue de sa structure, de l'évolution de celle-ci au cours des années 1948-1951 et de la „richesse relative" de la Belgique.

De ce compte-rendu trop succinct, qui s'est borné à l'aspect technique de l'ouvrage, les résultats dégagés ne pouvant être analysés dans le cadre de cette notice bibliographique, il appert que le travail du groupe Solvay fera date dans la bibliographie économique. Le grand mérite de cette équipe est d'avoir fait oeuvre de pionnier, dans un domaine où personne n'avait osé s'aventurer, en raison des graves lacunes de l'appareil statistique belge. Cette oeuvre constitue la première tentative d'aménager en un tout cohérent, l'ensemble des données économiques belges. Le système de comptabilité nationale prôné peut, certes, être amélioré, ses auteurs le reconnaissent. Il n'en reste pas moins que les services publics qui seront, tôt ou tard, appelés à dresser une comptabilité nationale officielle ne pourront ignorer ce travail de base.

Certaines critiques, qui n'amoindrissent pas la valeur d'ensemble du travail, nous semblent pouvoir être formulées.

Au point de vue présentation, le livre aurait gagné à voir certains développements être groupés dans un même chapitre. Tel est le cas de l'étude des variations quantitatives et des variations de prix des divers agrégats macroéconomiques qui aurait pu faire l'objet d'un chapitre spécial exposant le problème soulevé par l'évaluation „à prix constants" de ces agrégats. De même, le chapitre VIII qui traite de la Formation intérieure de capital et le chapitre X qui traite du financement de la Formation de capital auraient pu être fondus en un seul et même chapitre, ce qui eût évité certaines redites. Enfin, l'ouvrage ne contient ni table analytique ni bibliographie nationale et étrangère, ce qui étonne pour un ouvrage où la présentation matérielle a été, par ailleurs, particulièrement soignée.

Au point de vue technique, on peut regretter, encore qu'on en comprenne les raisons, la non-création de compte d'opérations de capital, pour chacun des secteurs. Même s'il avère, actuellement, impossible de dresser ce compte pour les entreprises et les particuliers, il eut été intéressant de l'établir pour l'„Etat et ses sous-secteurs". Par ailleurs, bien qu'il soit difficilement concevable que les Institutions sans but lucratif soient rangées parmi les entreprises, on peut admettre, momentanément, ce traitement adopté pour des raisons pratiques. Suivant une telle fiction, les mutuelles privées, les caisses primaires d'allocations familiales et d'autres caisses sociales privées sont assimilées aux entreprises et leur recettes, en provenance d'organismes publics de la sécurité sociales, devraient figurer au crédit du compte „Entreprises". On s'explique mal, dès lors, l'absence complète de ces recettes de transfert au crédit de ce compte et au débit du compte „Etat".

Au point de vue résultats comptables, l'écart entre l'estimation du Produit National Brut de l'Institut National de Statistique et celle du groupe Solvay est trop important pour accepter cette dernière sans démonstration. Il faut noter, toutefois, que la différence porte presqu'exclusivement sur les postes les plus difficiles à évaluer et que l'I.N.S. n'a calculé cet agrégat que par l'analyse des revenus, méthode qui est la plus hasardeuse, en la matière.

Ces quelques critiques émises, il convient encore de louer cet ouvrage qui doit être lu par tous ceux qui s'intéressent directement ou indirectement aux problèmes de l'économie nationale belge, depuis l'économiste jusqu'à l'étudiant, en passant par l'homme d'affaires, sans oublier le simple curieux. Il s'adresse également aux techniciens de la comptabilité nationale, de quelque pays qu'ils soient.

ANDRE J. F. VAN BUGGENHOUT.

Der Budgetkreislauf in den Vereinigten Staaten)*

Nach „De Budgetcyclus in de Openbare Financiën van Nederland" (W.P. van Stockum en Zoon, den Haag, 1952) ist vom gleichen Verfasser nun auch eine Darstellung des Budgetzyklus in den Vereinigten Staaten erschienen. Es umfasst nicht nur den Budgetkreislauf der Vereinigten Staaten selbst sondern auch den einer Stadt (City of Berkeley), eines Einzelstaates (State of California) und eines Stadtstaates (State of New York). Angefügt ist der Budgetkreislauf bei den Vereinten Nationen (Financiel System of the United Nations) und ein Exkurs über das viel diskutierte Performance Budget, wie es von der Hoover-Kommission in ihrem Report erstmalig vorgeschlagen wurde, mit der Spezialanwendung, die es in Richmond, Virginia, gefunden hat.

Erfreulich ist, um zuerst etwas *grundsätzlich* wichtiges zu sagen, dass das Budget in seiner Entstehung, Beratung, Bewilligung, Durchführung, Abrechnung und Kontrolle, mit jener Arbeit eine weitere und eingehende Darstellung in plastischer Form am leben-

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*) *O. Bakker,* Member of the General Auditing Court of the Netherlands: *The Budget Cycle in Public Finance in the United States of America.* W. P. van Stockum & Zoon, The Hague, 1953, pp 163.

den Beispiel gefunden hat. Die ältere Finanzwissenschaft benügte sich meist mit einer theoretischen Umschreibung der Finanzsysteme der einzelnen Staaten; diejenigen der Länder und Komunen wurden dabei ausserdem noch benachteiligt, weil ihrer Organisation meist keine grosse Bedeutung beigemessen wurde. Der Studierende oder sonst Interessierte konnte sich so kaum eine Vorstellung machen, wie das Budget im Staatsleben praktisch entstand und verging. Beschreibungen des Finanzwesens auf Grund des Staatsrechtes sind keine lebenden Gestaltungen sondern nur Faktensammlungen. An diesen ist kein Mangel und neue kommen ständig hinzu. So ist eben wieder in „La Documentation Française, Notes et Études Documentaires", eine solche Arbeit herausgekommen („L'Organisation des Pouvoirs Publics aux États-Unis"). Diese vom Présidence du Conseil, Secretariat General du Gouvernement, Direction de la Documentation herausgegebene Studie (Juillet 1953, 4°, 38) ist aber nicht Jedermann zugängig und dient mehr der internen Information der Beamten. Im Bakker'schen Buch dagegen werden die Finanzen eines Jahres erlebt. Man folgt ihren einzelnen Phasen, die der Autor wie folgt zusammenstellt:

Phase 1: Drafting of the Budget by the Executive.
Phase 2: Submission of the Budget Estimates and Proposals to Parliament. Discussion and Enactment of the Budget Bill.
Phase 3: Execution of the Budget Proposals, i.e. incurring of Obligations and the consequent Expenditure authorized by the Budget; Collection of Budget Revenues; keeping of Accounts of Receipts and Expenditure by the Executive.
Phase 4: Controll of the Accounts.
Phase 5: Enactments of the Accounts by Parliament.

Der Autor begnügt sich nicht mit einer klaren Darstellung und mit Zeichnungen sondern er gibt im Text auch seine eigene Meinung zu bestimmten Fragen. Bisher existierte auch in der Fachliteratur der Vereinigten Staaten noch keine solche umfassende Darstellung des realen Verlaufes des Budgets, abgesehen von der notwendigerweise kursorischen Darstellung in „Das Budget" (1948-51). In diesem ist aber mehr das Prinzip und die Darstellung des Budgetkreislaufes im allgemeinen behandelt. Hier haben wir die praktische Anwendung auf den speziellen Fall.

Ein kleiner Mangel scheint zu sein, dass eine der bedeutendsten Veränderungen des amerikanischen Budgetkreislaufes — die ständige Annäherung der Budgetkontrollbehörde an den Kongress — nicht besonders herausgearbeitet wurde. Tatsächlich ist heute das General Accounting Office ein Organ der Legislative. Bei einer so plastischen Darstellung wie es die eines lebenden Budgetkreislaufes ist, erscheinen auch die sonst wenig beachteten oder in ihrer Funktion schwer verständlichen Nebenorgane;z B. des Präsidenten, so das Bureau of the Budget, des Treasury Department, so das Bureau of Accounts, und der Legislative, hier im besonderen die Kommissionen und die Zusammenarbeit mit dem General Accounting Office, in ihrer wahren Gestalt und Bedeutung. Unterstützt wird die Bakker'sche Darstellung neben historischen Einleitungen auch durch die Wiedergabe der buchhalterischen Vorgänge. Wer das amerikanische Budgetsystem verstehen will, wird zukünftig gut tun, seine Studien mit dem Buche von Bakker einzuleiten.

Die Bakker'sche Arbeit, die zuerst in „Public Finance" erschien, damals als eine Art Studienreisebericht, ist durch Studienberichte ausgeweitet, die zwei hohe Beamte des niederländischen Finanzministeriums, die zugleich in den Vereinigten Staaten waren, erstattet haben. Sie koordinierten ihre Arbeit mit der von Bakker, was ein beachtlicher Gewinn für das vorliegende Bucht ist.

Die Darstellung des Budgetkreislaufes der Vereinten Nationen gibt einen wertvollen Einblick in diese übernationale und weltweite Organisation, vor allem in ihre finanziellen Fundamente.

Für das Schlusskapitel über das Performance Budget zeichnen A. va Dongen und D. A. P. W. van der Ende, beide vom niederländischen Finanzministerium, die gleicherweise an Ort und Stelle das Problem und die praktische Anwendung in der Stadt Richmond studierten. Auch hier ist erfreulich positiv Stellung genommen, im Gegensatz zu manchen ablehnenden Meinungen, die in Europa über das Performance Budget wie es die Hoover-Kommission vorgeschlagen hat, seither zú hören waren.

So ist ingesamt zu sagen, dass das Bakker'sche Buch in die Handbibliothek jedes Fachmannes gehört, es ist im besonderen für das praktische Studium nach unserer Auffassung kaum entbehrlich.

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